

JPRS-EER-87-089
3 JUNE 1987



JPRS Report

East Europe

SPECIAL NOTICE

Effective 1 June 1987 JIRS reports will have a new cover design and color, and some reports will have a different title and format. Some of the color changes may be implemented earlier if existing supplies of stock are depleted.

The new cover colors will be as follows:

CHINA.....	aqua
EAST EUROPE.....	gold
SOVIET UNION.....	salmon
EAST ASIA.....	yellow
NEAR EAST & SOUTH ASIA...	blue
LATIN AMERICA.....	pink
WEST EUROPE.....	ivory
AFRICA (SUB-SAHARA).....	tan
SCIENCE & TECHNOLOGY.....	gray
WORLDWIDES.....	pewter

If any subscription changes are desired, U.S. Government subscribers should notify their distribution contact point. Nongovernment subscribers should contact the National Technical Information Service, 5285 Port Royal Road, Springfield, Virginia 22161.

JPRS-EER-87-089

8 JUNE 1987

EAST EUROPE

CONTENTS

POLITICAL

INTRABLOC

- Scholar Notes Hungarian Cultural Continuity in Transylvania
(Sandor Toth Interview; ELET ES IRODALOM, 20 Mar 87) 1

CZECHOSLOVAKIA

- Bilak's Definition of Reform Supported
(Jaroslav Kucera; RUDE PRAVO, 13 Feb 87) 6

HUNGARY

- Swedish Daily Interviews Dissident Konrad
(Gyorgy Konrad Interview; DAGENS NYHETER, 12 Apr 87) 11

- CC Official on Weakness of Party Role, Influence
(Istvan Petrovski; PARTELET, No 3, 1987) 15

POLAND

- Press, Personnel Changes, Media Developments, January 1987
(PRASA POLSKA, No 13, Mar 87) 21

- Public Opinion Center Director Taken to Task
(Adam Budzynski; PRASA POLSKA, No 13, Mar 87) 24

YUGOSLAVIA

Ways of Overcoming Deteriorating Conditions Discussed (DUGA, 4 Apr 87)	27
Need for Market Economy, by Dragoje Zarkovic Prospects for Governmental Moves, Ljubomir Madzar Interview	27 34
Political Changes Urged To Combat Economic Crisis (Ivan Stojanovic; DUGA, 18 Apr 87)	38

ECONOMIC

INTRABLOC

Matejka Comments on R&D Progress of CEMA Countries (Karel Matejka; HOSPODARSKE NOVINY, No 8, 1987)	47
---	----

CZECHOSLOVAKIA

Management 'By Indicators' Criticized (Jaroslav Jirasek; MODERNI RIZENI, No 1, 1987)	55
Deliberate Speed for Economic Experiment Urged (Zdenek Hoffman; RUDE PRAVO, 12 Feb 87)	60

HUNGARY

Social Mobility Analyzed (Rudolf Andorka Interview; OTLET, 26 Mar 87)	63
Proprietary Interests of Enterprises Discussed (Pal Emod; OTLET, 26 Mar 87)	70
Effect of Tax, Pricing Changes on Enterprises Evaluated (Emilia Pap; OTLET, 26 Mar 87)	74

POLAND

Debate on Living Wage Level Appears in Catholic Weekly (TYGODNIK POWSZECHNY, various dates)	78
'Typical' Family Expenses Itemized, by Stanislaw Remiuszko	78
Reader Protests Estimate Too Low, by Janina Walewska	86
Relationship to Poverty Level Discussed, by Helena Goralska	88
Unveiling of 'Second Stage' Reform Sparks Discussion (Krzysztof Bien; RZECZPOSPOLITA, No 101, 9 Apr 87)	94

SCHOLAR NOTES HUNGARIAN CULTURAL CONTINUITY IN TRANSYLVANIA

Budapest ELET ES IRODALOM in Hungarian 20 Mar 87 p 7

[Interview with Sandor Toth, retired professor of Babes-Bolyai University in Kolozsvar (Cluj), Transylvania, and Communist Party member, by Imre Dlusztus: "Notes of a Szekler from Szeklerland"]

[Text] [Introduction] Sandor Toth, retired professor of Babes-Bolyai University, was born seventy four years ago in Torboszlo, Maros-Torda County. He earned his college degree in mathematics at the Ferdinand University in Kolozsvar, and later on, based on a qualification exam taken at Iasi, was granted the title of tenured teacher. He taught at the Presbyterian Gymnasium in Szatmarnemeti, at the Lyceum in Banffyhungyad, and the Presbyterian Collegium in Marosvasarhely, where he was also headmaster. Subsequently he was active as school supervisor, and in 1950 he became college professor at the Bolyai University in Kolozsvar. He published seven books and fifty scientific essays in the fields of mathematics history and geometry, but a considerable portion of his research remains as yet unpublished. Sandor Toth joined the Romanian Communist Party in 1932, was active during the years of illegality, after liberation became secretary of the Teachers' Party Organization, and was a Member of the Board of the Party School.

[Question] Your biography indicates that love of mathematics and service in the Marxist movement carry equal weight in your life.

[Answer] I became a party member as a college student. Mark Antal, the excellent mathematician, was working at the Peoples Commisariat for Education, and consequently emigrated to Kolozsvar after the fall of the Hungarian Soviet Republic. He was the nucleus of that Marxist circle, in which several mathematicians were active. We printed illegal and semi-legal papers, when print shop workers would let us use the presses.

[Question] Does it not count for some sort of deviationism among mathematicians, if a person is interested in the history of the discipline?

[Answer] Anybody who, in this country, decides to get thus involved can count on neither moral, nor material recognition. To get a quick PhD is equally unthinkable; I, myself, did research for four decades, and have only now

gotten to the point of being able to publish my results. By the way, the history of sciences is the privilege of rich nations.

[Question] What was the question that focused your attention on the history of mathematics?

[Answer] I considered it unbelievable that half a millennium should have been an empty page in the history of Hungarian mathematics. Most reserachers believe it to have had its dawn in 1499, the year of the first mathematics treatise published by a Hungarian author. He called himself Gerogius de Hungaria.

[Question] Why is it important for us to know that as early as in the 10th to 15th Centuries our forefathers knew mathematics?

[Answer] In the course of the past few decades, the focus of scientific attention has shifted toward the realities. In earlier times, social sciences were setting the scale of values, but today society's contribution toward mankind's culture is measured by the results of natural sciences. According to popular belief, Hungarian mathematics has gained considerable renown in the past century and a half. This justifies the question: "how come there was nothing prior to 1499?"

[Question] How did you get a hold of historical source works?

[Answer] Primarily with the help of the National Szechenyi Library, but I am also in contact with many libraries and archives of Europe and the United States. My desk is loaded with microfilms. In the last century they used to send out reserchers systematically to survey large foreign libraries. They kept records, and even though they may not have understood mathematical source materials and documents, they did describe them. Such records are very valuable research tools today.

[Question] Do you consider it also possible that researchers simply overlooked mathematical source works?

[Answer] Or may not have looked at them with a mathematician's eye. If a person enters any large public library, he is obliged to look at things with some specific kind of an eye, otherwise he will never achieve any results. It cannot be expected of historians that they consider my viewpoints, too.

[Question] Which, in your opinion, is the very first Hungarian mathematical document?

[Answer] The oldest one is the Deliberatio, written by Bishop Gellert. Although it is not a mathematical manuscript, it does shed light on Gellert's mathematical erudition. It is extremely interesting, the way he philosophizes about the concept of numbers. He observes about the "one" that it is not a numeral, but a component part of all numbers. He likens God, also, to this "one" of special meaning, to this primary unit. Part of the teachings of medieval arithmetic was also the interpretation of the numbers occurring in the Bible. Deliberatio contains much about the mystique of numbers and their

allegorical interpretation. Gellert, with his penchant for mysticism and restless fantasy, sought the deeper meaning of things in the conundrum of allegories.

[Question] Of the signs indicating the presece and spread of arithmetic, which do you consider the earliest?

[Answer] King Colomannus' law, already, considers arithmetic ubiquitous on Hungarian soil, when he orders that bailiffs be required to deliver the tax denarii to Strigonium [Esztergom], by the holiday of St. Michael, noting all names along with an exact accounting. To keep books on the tax denarii of an entire county, required thorough expertise. Instrumental, too, in the dissemination of mathematical skills was probably the fact that, of all other kinds, teaching orders happened to settle in Hungary. Scholasticism penetrated into our territories as a result of their activities. Another variety of Western contacts were made by the archetypal medieval wanderers: students in search of learning, of famous masters and schools. This peregrinatio academica, this studying at foreign universities, has a six-hundred-year-old tradition in our land. We know of Hungarian youths studying in Paris at the abbey of Saint Genevieve, as early as the second half of the 12th Century. A student by the name of Betlehem died, and Abbot Stephanus notified King Bela III, and the youth's parents, of his demise. The two extant letters, moreover, mention the names of our compatriot students.

[Question] So that even before the founding of the university, there had been college attendance?

[Answer] Even before the Paris university evolved, there were Hungarian youths attending Parisian schools. We even know the names of many thousands of peregrinators from the Middle Ages. Their total number is unknown, but Sandor Tonk published a book in 1979 about the Transylvanians among them; he lists the names of 2,496 Transylvanian peregrinator students. It covers a period ending at the beginning of the 16th Century.

[Question] What mementos of that scholastic education have survived?

[Answer] The schools of the highest order in the Middle Ages were the collegiate church chapter schools attached to cathedrals. Prior to the establishment of universities, these were the most highly regarded schools in the West, too. As far as dissemination of mathematical knowledge is concerned, the institutions which probably played the most outstanding role were the Szekesfehervar clerical school— i.e., a non-cloister school—which was run by lay priests, and the important Pannonhalma school. True, most of the libraries and archives of our domestic schools have perished and cannot, therefore, testify to scientific life in centuries past. The most outstanding scientific centers became annihilated: Buda, Esztergom, Veszprem, Szekesfehervar, Pecs, Nagyvarad, Gylufehervar, and so on. The Nagyvarad school, for example, was probably founded in the 11th Century. Mongolians, and Cumanians razed Nagyvarad and its schools in 1241, and so, again, did the Turks in 1474; while in 1660 the city, for some time, came under Turkish rule. Its old library and archives were lost. Fortunately, commissioned by the chapter in 1374, the scribe, Canon Emery, put into writing the privileges

and properties of the chapters, the privileges and duties of members and, among them, those of teachers as well. Those are the Nagyvarad chapter's oldest statutes, which also preserved many data about the school. There are no statutes testifying to the existence of the rest of our schools, but there is no doubt that similar schools and libraries were attached to other cathedrals also.

[Question] Are there any written mementos of everyday arithmetic, of the common use of figures?

[Answer] The simplest, but certainly oldest, are the deeds. They become more abundant after King Stephen. They, too, reflect the knowledge of arithmetic. Ample source material for a history of the spread of number writing and arithmetic calculations could be found in the surviving papal, episcopal, and cathedral chapter tithe lists. The oldest is a tithe list from 1156 of the Esztergom cathedral chapter. Starting with the last decades of the 14th Century, voluminous accounting records survived; the account books of cities and various institutions. The records of Selmechanya and Pozsony date back to 1364.

[Question] Did they use Arabic or Roman numerals?

[Answer] On these documents, of course, only Roman numerals were used. Arab numerals did not begin to appear in accounting records before the second half of the 15th Century. In all probability, by that time, they used Arabic numerals in their calculations. In the archives of Kolozsvár there survived a double folded sheet from 1498, listing the city's incomes. They wrote them in Roman numerals, but they used Arabic numerals for the numbering of the entries. The same sheet of paper has arithmetic calculations on it in Arabic numerals.

[Question] The calculation of the date of our movable holiday, Easter, is quite a mathematical task. How did our forebears accomplish this mathematical feat?

[Answer] Calculations necessary to determine the dates of religious holidays are called computus. Its major problem is how to determine the date of Easter. The synod of Nicea of 325, in order that the entire Christian world may celebrate the resurrection of Christ on the same day, determined its date as follows: the Sunday following the first full moon after the vernal equinox. Which means that one must calculate on the basis of different cycles. The days of the week repeat in cycles of seven, the moon's cycle is different, and one must also consider the length of the solar year. Looking at it with a mathematician's eye, we face a problem of mathematical theory. How many years, months, and days will it take before the original situation reoccurs? Gauss offered the complete answer to this question in the early part of the past century. But in the Middle Ages they did not know about congruity, and so they used basic arithmetic to obtain their results.

[Question] I understand the British Museum has a geometric manuscript which contains some Hungarian words.

[Answer] That manuscript dates back to the 13th Century. It surfaced ten years ago. I saw a photocopy of it in Laszlo Mezey's place, but professor Mezey, alas, passed away and I don't know what became of the copy.

[Question] What will be the future of the study from which the Bucharest magazine, Muvelodes, published several excerpts?

[Answer] I collected a total of one hundred ninety-nine unknown Transylvanian mathematical papers, eighty of which I preserved on microfilm. I started a serial in Muvelodes to present them to the public, but the publication was discontinued. As on so many other occasions, the National Szechenyi Library came to my rescue; I will continue the presentation of these documents in the library's yearbook. By the way, as I reported in my book, entitled Earliest Romanian Mathematical Manuscripts in Transylvania, I discovered many Romanian documents as well. The earliest accounting records date back to the 18th Century.

[Question] Which Hungarian mathematics-history document do you consider most significant?

[Answer] In 1413, and again in 1420/21, they held lectures in mathematics in Esztergom. The lectures of magister Tomas de Zakan, i.e., Tamas Zakanyi, were taken down by six of his pupils, among them the student called Szekler from Szeklerland. Since I am a Szekler myself, I was thrilled by this document. I came upon it in the omnibus codex of the Scottish Benedictine cloister of Vienna, where I found mathematical and astronomical notations. I consider this manuscript of such importance, that on its basis, alone, we ought to re-evaluate our notions about medieval cultural history. I think that if the Dutch could make a facsimile edition of the 1499 document, concerning primarily Hungarian cultural history, then we should do likewise with this even earlier source material.

[Question] When can readers in Hungary hope to become acquainted with the results of your research, with the great summing-up?

[Answer] Gondolat promised publication of my book, Parameters of Our Mathematical Culture, for 1988.

12759

CSO: 2500/284

BILAK'S DEFINITION OF REFORM SUPPORTED

Prague RUDE PRAVO in Czech 13 Feb 87 p 5

[Article by Jaroslav Kucera: "Acceleration and Social Changes"]

[Text] The key question with which the steadily escalating needs of our society have confronted us concerns the inevitable acceleration of our country's socioeconomic development. In the course of time it was confirmed that our socioeconomic development cannot be accelerated without a fundamental change of social forms which reflect the realities of our society, and without a restructuring of the style and methods of our management and, in fact, of all our work.

The acceleration of the development of our socialist society and the ensuing social changes are two objectively necessary and dialectically interrelated processes. The 17th CPCZ Congress explicitly stated that we must "achieve a higher level in the development of socialist democracy," continue the process of increasing and intensifying the "factors of our people's socialist self-government according to Leninist principles," further "expand our working people's participation in decisions concerning our state and public affairs," and provide "new opportunities for a dynamic development of our society."

Our party on numerous occasions embraced the basic principles which are part of the very essence of socialism, and recognized their general international validity. However, like any other society, socialism does not consist of a "bare" essence alone. None of its basic principles affects the life of society directly, but only in the form of phenomena of certain social methods and mechanisms which are the scene of specific human activities.

The principle of the government of the people is enforced by a representative system, public organizations, legislature, state administration and other factors of the socialist political system. Public ownership of the means of production is reflected in the division of authority between the factors of production and of management, in certain organizational structures of management, in the criteria for economic achievements, and other forms which in their totality represent the economic mechanism as a whole.

In a simplified expression, this in itself shows that certain social forms and mechanisms possibly, although not necessarily, may reflect corresponding principles of socialism. Most of our accomplishments and our shortcomings depend primarily on the way how well or how poorly these forms and mechanisms enable us to enforce the fundamental principles and other advantages of socialism. If a certain social form opens the way for resolutions of actual social conflicts and for the implementation of human creativity, we are usually successful, while in the opposite case contradictions escalate and unresolved problems and deficiencies multiply.

For instance, egalitarianism in the system of rewards has spread in our country far and wide and is seriously impeding the enforcement of the merit principle in rewards which sharply contradicts egalitarianism. In essence, this is a form of social injustice with generally negative impact on our economic development and on the development of individual personality. Egalitarianism could not be eradicated even by several administrative measures intended to "restructure" the wage system, although many of them actually contained rational concepts whose practical implementation has evidently failed. Understandably, this kind of "restructuring," isolated from other factors of the economic mechanism, without corresponding changes in the ways and means of planning, management, ideology and political work, could not advance our economy and society by so much as one step. Neither can our economic mechanism as a whole be successfully restructured if it is isolated from appropriate changes in our political mechanism and in our ideological program.

The purpose of social forms and mechanisms is to enforce fundamental socialist principles in the continuously changing internal and external, material and spiritual situation. Therefore, such forms and mechanisms must be flexible and need to be continuously improved and rationally restructured according to the changing circumstances. Only then will socialism maintain its character as a dynamically developing society where qualitative changes take place constantly, i.e., it will retain its characteristic revolutionary development and avoid giving in to evolutionism which usually leads to stagnation.

The building of socialism has fundamentally transformed the means of production and our people's life, culture and needs. The international situation and some natural factors, such as ecology, have also undergone great changes, all of which acquired in addition the character of a fundamental turning point in our development; however, corresponding changes in social forms and mechanisms of socialism keep lagging even more behind those changes. One of the most relevant tasks of social sciences and of the party's entire theoretical and programmatic work is the analysis of the causes why social forms and mechanisms are lagging behind; it may serve as a point of departure for the theory of their continuous improvement.

Obsolete forms of economic management and certain ineffective methods of our political and ideological program are hampering our further development. They impaired thorough application of the advantages of

socialism stemming from its very essence; they stifled and deformed the effect of its most powerful stimulus, namely, the creativity of the masses. In many countries, including the CSSR, they slowed down the rate of economic growth and led to a stagnation; they caused deformations and occasionally also crises. Even if people were dissatisfied with the existing conditions, the reason for their dissatisfaction was not the essence of socialism but rather its obsolete social forms of mechanisms.

The CPSU, and following its example, other communist and workers' parties in socialist countries, including the CPCZ, reacted to the slowdown of the economic growth and of the social development by formulating a strategy for an accelerated socioeconomic development of their societies. However, the "acceleration" is not a knee-jerk reaction to the preceding "slowdown" and its strategy is not based on statistical increases of economic growth rates alone. Its solution, course and consequences contain a new quality.

First of all, the only "takeoff" for the acceleration program is the restructuring of ineffective social forms and mechanisms. The 27th CPSU Congress pointed out what this restructuring would mean for Soviet society: "Much--essentially everything--will now depend on our efficiency in making the most of the advantages offered by our socialist system, its economic power and social potential, and on our ability to replace old social forms, styles and methods of work with new, and to adapt them to the changing situation."

Therefore, the restructuring of the Soviet social praxis is hardly a manic attempt at reorganization; in terms of the necessary dynamism for socialism, it is an objectively inevitable process which we can never end because the conditions for development will always change.

Without the rebuilding of our economic mechanism it would be neither possible nor easy to accelerate the current rate of our economic growth and so much less so to achieve its new, intensive quality. Secondly, from economic intensification it follows above all that acceleration alone will be a qualitatively new type of growth. Third, it will lead to the development of new, superior economic, social and cultural qualities and thus, to the further restructuring of society.

In his address to the session of the CPSU Central Committee on 27 January 1987 Comrade Mikhail Gorbachev said: "This is basically a change and a policy of a revolutionary character. If we speak of the restructuring and related processes aimed at thorough democratization of our society, we mean truly revolutionary, all-encompassing changes in our society."

As it is currently emphasized in the USSR, if the rebuilding of the Soviet society should become a truly revolutionary process and if it should radically change the current praxis, it must be enforced "from the bottom up," and the masses must participate in it; it must involve not only the management but also the work, life and thinking of the masses. Their

greatest possible involvement in this process, the openness of information, criticism, and the development of a genuine socialist democracy are the areas where innovators, energetic and creative individuals may prove their mettle. By the same token, this considerably limits the space for fossilized stereotypes of thought, for routine actions and management, for passivity, indifference, indolence, incompetence, bureaucracy and social injustice, and also for machinations by individuals who are guilty of such abuses and to whom the restructuring is an open act of hostility.

In view of all that, the most important fact is that the great involvement of the CPSU and specific acts by the party and state which intend to correct the situation are promoting the criticism and the principle of public information; under such circumstances inertia would only lead to destruction.

In the same way our society is facing an objectively inevitable process of making our political system better and more flexible. That does not imply only changes of the economic mechanism or of the technological base and material structures of production, although those areas are the very backbone of our accelerated socioeconomic development. We must change fundamentally our people's attitudes, make our ideological programs and their material-technological base far more efficient, and change the forms, methods and mechanisms of our political work. We shall be compelled to improve and change many aspects in our laws and in the functions of the system of our public organizations, work teams, and above all, the party programs from which the whole process of changes in our society evolves. As Comrade Gustav Husak stressed at the 4th session of the CPCZ Central Committee, our party is following the methods of Soviet communists as "the model and inspiration for the solution of our problems."

Of course, neither all our problems nor our preceding development are the same as those in the USSR; nevertheless, the key to the solution of our problems and to the acceleration of our socioeconomic development is, and will be, the same. It is based on a process of change, which does not break down but rather reinforces the foundations of socialism and without which socialism cannot develop into a communist society.

Some obsolete social forms, mechanisms and deformations of socialism in our country obstructed its development in the 1960's. Our party and society were waiting already since January 1968 for the beginning of a renewal or restructuring of those forms and mechanisms of socialism as a process that would consolidate and develop socialism because--as our party had always stressed--the policies announced in January 1968 were of vital importance. However, the right wing used the slogans of the renewal and reforms of shortcomings to hoodwink great many working people and, in cooperation with imperialist centers, it exploited that situation for a counterrevolutionary attack against socialism as such.

At that time the right wing benefited from the opportunistic inertia of certain party leaders and from their dithering and procrastination in implementing necessary changes; it profited from the fact that reforms

and deeds had not followed the criticism of the existing situation; that opened the way for the counterrevolution. It was then confirmed again, among other things, that no actual revolutionary process could succeed without a revolutionary program and theory. Wherever that theory is shaky, the way is open for revisionism; without a revolutionary program, the counterrevolution finds an opportunity to assert its program. Whether in thought or deed, the inertia of the communists always played in the past, and always will play in the future, into the hands of their enemies. These are the tested and true findings of the "Lessons from the Period of Crisis."

During the period of crisis the right wing with the help of the entire anti-communist coalition enforced a "restructuring" which was diametrically opposite to the process now underway in the USSR and facing now also our party and society. The right wing wanted to restructure not the forms but the substance of socialism, to break down its innermost principles and to replace them with bourgeois tenets. It was not at all interested in developing the legacy of February 1948; it wanted an "anti-February"--as the reactionary emigre factions in the West admitted. Therefore, rather than a revolutionary process of renewal and renaissance of socialism, it was a counterrevolutionary process aimed at its destruction and liquidation.

For that reason the allegations by certain opportunist rightist emigrants and by our "internal emigration" about their continuous "support for the restructuring ever since 1968" are nothing but lies and a shameless attempt to defend the right wing's old counterrevolutionary plans so that it may resume them again.

We must always expect that under the pretext of their support for the process of change various slanderers of socialism will continue their same old efforts as in 1968 to contaminate that process with their "virulent programs" in order to destroy main principles of socialism. Although that must be expected, it cannot discourage us from implementing this revolutionary, objectively inevitable process of social changes. Let us add, as Comrade Vasil Bilak reminded us this week at the session of the ideological commission of the CPCZ Central Committee: those who are harboring any hopes that our party may "retract" its document "The Lessons from the Period of Crisis" will have to wait forever. Nearly 40 years ago, in the early stages of the building of socialism, we used to say that we could not live the old way, and neither can we live today the old way. However, today we must add that we cannot run the country, lead and organize our people's work the old way. The current historical turning point simply does not permit any mechanical transplantation of old stereotypes into the future. In the new situation today the central objective of socialism--"everything in man's name, everything for his well-being"--may be achieved only by new methods--with a new production base, new management and a new way of political thinking.

9004/9190
CSO: 2400/154

SWEDISH DAILY INTERVIEWS DISSIDENT KONRAD

Stockholm DAGENS NYHETER in Swedish 12 Apr 87 p 4

[Report on interview with Gyorgy Konrad by Peter Curman: "Gyorgy Konrad on the Mood in the East--There's a Fear That Takes Time To Dissipate"]

[Text] It is spring in Budapest. After a long cold winter, people are beginning to thaw out as they sit on benches along the promenade between the Elizabeth and Chain Bridges in Pest and squint into the sun. On the Buda side, the palace sits proudly under a bright blue sky. That is also where Budapest's more fashionable private homes, the famous baths, and the ancient Hotel Gellert are located.

But even though spring is always the same as ever in this fantastically beautiful city, this year's spring fever is mingled with a kind of cautious amazement at the remarkable political course of events in the big neighboring country. So far, not much in the way of "glasnost"--the new openness--or "perestroyka"--reorganization--is being noticed in Hungary. Perhaps because the country has already achieved much of what is new and revolutionary in the Soviet Union.

Hungary is currently East Europe's economic laboratory, where unconventional new economic concepts are being tried out and where trade with the Western World is more important than trade within the socialist community.

Full Tank

So the country is already poised on the dividing line between East and West. Hungary's freedom tank is full, and there is scarcely room for another drop of "glasnost." But this applies primarily to economic policy. In the field of cultural policy, the zeal for freedom is not as great.

One author who has had ample opportunity to learn where the boundaries of freedom lie in today's Hungary is Gyorgy Konrad. Despite all the fine words at the Culture Forum in Budapest in the fall of 1985, when Istvan Boldizsar, chairman of the Hungarian PEN Club, promised that the ban on publication of Konrad's works would be lifted and that he would be presented with a membership in the Hungarian PEN, nothing has happened.

Gyorgy Konrad is still reduced to publishing his books abroad, and despite his big international success, nothing is said about him in Hungarian newspapers. There is reason to wonder why, because Gyorgy Konrad is not a subversive counterrevolutionary but an author and social analyst who is unusually level-headed and open to discussion. But it may be precisely those qualities, combined with his moral integrity, which make him "dangerous" in the eyes of true believers.

Open Door

Whereas many Hungarians seem to believe that he lives in Berlin, I met him at his home in Buda on one of the last days in March to talk about his views on "glasnost" and "perestroyka" and about the effects which that ideological upheaval might have in his own country and on developments in East Europe.

Gyorgy Konrad feels that the Russian policy of reform is not a cosmetic public relations measure aimed at touching up Russia's image in the West. On the contrary, he believes that the reforms are necessary if the Soviet Union is to be able to restore its credibility both economically and culturally.

"But how can one decentralize and democratize a centralistic and authoritarian empire--the last colonial empire in Eurasia? Like the risks, the challenge is gigantic. The gradual, rational, and well-meaning phasing out of an empire for the purpose of developing a socialist welfare state must involve constitutional changes in relations with the nations falling within the Soviet sphere of influence.

"How is it possible to avoid creating fear in Europe? And rescue the Soviet Union from its demonic image, from being the "Evil Empire," and from being a conservative state in which the military staff culture has always triumphed over civilian society and human rights? Recognizing the equality of citizens naturally means abolishing the political privileges enjoyed by party members. Guaranteeing equal political rights for every Soviet citizen regardless of whether he or she is a party member would signify real 'perestroyka.'"

But who are the actors in that process? To whom is it directed? Gyorgy Konrad says the focus is primarily on the intellectual middle class. The release of Sacharov and the gradual release of political prisoners are themselves an acknowledgment of the intellectuals' right to autonomy and of the fact that the government is influenced by world opinion.

"Platonic Face"

"This is presumably only the start of the process. The is open. Soviet Russian society may become a civilian society and join the postimperialist international community. Everything depends on which path the Soviet Russian elite chooses--on whether it continues to dominate the Eurasian continent and maintain its geopolitical hegemony over smaller and militarily weaker nations or wants to find a respectable place for itself in the world community."

Leninism has always been two-edged, says Gyorgy Konrad. On the one hand, it guarantees equal rights for nations and the autonomy of national minorities. On the other hand, 70 years of political practice show that Moscow considers itself entitled to use Leninism as justification for cementing the Soviet Empire.

Those 70 years of practice also have their own ideology, and it found its clearest expression under Stalinism. It was then that the Soviet Russian communists made themselves the center of world history and claimed to be the magnetic pole of socialism. The result was that every true socialist was expected to profess his faithfulness to Moscow and to be loyal.

"The equal rights of nations and the claim to be the center of the world are not just two fundamentally opposite viewpoints in international relations. By signing the UN Declaration on Human Rights and later the Helsinki Accords, the Soviet Union has formally recognized the equal rights of nations. So it should be possible for one of the faces of Leninism—one could call it the platonic face—to accord with the Soviet Union's obligation to behave in a democratic manner. But there is also another face which East Europeans have assuredly seen and which creates fear and therefore resistance. I must say that the Soviet Union under Brezhnev deserved Reagan. And Reaganism has taught the Russians that military expansionism has certain impassable limits. Violating those limits can only result in World War III."

Existence at Stake

That is why a reorientation of Soviet Russian policy is necessary, he says. The Soviet Union is in danger of dropping below its second-place status even economically. It is already far behind the EC countries, and if nothing is done, the Soviet economy is going to wind up at a level comparable to that of the Third World. Hierarchy and authority in politics or in cultural life have immediate repercussions within the economy, and that is why qualitative reforms are necessary throughout Soviet society.

"After 70 years of communism, the basic question is now this: is it possible to carry out a qualitative reform in Soviet society? The accumulation of fear in the Soviet Union is so massive that a great deal of time will be required before it dissipates. So far we have seen only the very beginning of that dissipation of terror, and it will be a long time yet before civilian consciousness ventures out. But when fear has subsided, people will start demanding a reorganization of the party state in the direction of a democratic socialist federation."

Many people in the West are currently experiencing a kind of euphoria. It is precisely for that reason, according to Konrad, that it is important to call attention to the big difference between observers of the process in the East and the West. In the West, people will be disappointed if the experiment fails. But in the East, all existence is at stake. So perhaps we are wise to scale down our expectations and prepare ourselves for a very prolonged process that may extend far into the next century if it is not abruptly broken off.

Choice of Path

"It is not just a kind of wishful thinking to assume that the possibility of change really exists—but the process may also end in a new failure. Too many actors must do their bit—not only actors in the Soviet Union but also in our various Central European societies. Perhaps Central European cultural strategy will also have to be changed as far as its ideological relationship with the Soviet Union is concerned. We must force a choice of path: if you stop scaring us, we will accept you as a partner or even as a friend. But if you maintain your hegemony, we will resist."

But Konrad is eager to point out that he is hoping not for some catastrophic collapse in the Soviet Union but for continued "perestroyka" that can lead to discussion not only between states but also between individuals. But if such relationships between individuals are to occur, censorship must be abolished.

"Censorship occupies a strong position in the East European states today. But 'glasnost' presupposes free newspapers and publishing houses. As long as authors are not allowed to appear independently in legal and independent media, we will still be living in authoritarian states, where openness is nothing more than rhetoric."

But censorship operates in different ways. There are cultural areas that can free themselves more easily, examples being art and music. Doing so is more difficult in the case of literature. In Konrad's own country, there was a big hullabaloo recently when the authors belonging to the party announced their resignation from the Hungarian Writers Association to protest the election of a nonparty executive committee. So there is an open and obvious conflict between the party state's demand for hegemony over authors and the publishing authorities on the one hand and the demand by the authors for independence on the other.

Taboos

"But censorship was much stricter 10 years ago. It is not impossible that we will see a further weakening of censorship during the next 10-year period. Moreover, it is a biological necessity, of course, that a younger generation should come to power, and that new generation may have a more conciliatory attitude toward culture than its obsolete predecessors. Its members might even want to be respected as people and not just as officials. I believe that 'officialocracy' is on the way out. Moreover, there are young intellectuals in every corner of East Europe who are not afraid. That fearless attitude is considerably more attractive than the old anxious ingratiation."

But Gyorgy Konrad does not shut his eyes to the possibility that the attempt at reform will come to a brutal halt. He mentions the experiences in 1956, the Prague Spring of 1968, and Poland in 1981. He recalls that the current governments in fact base their legitimacy on their suppression of those events, discussion of which is still taboo. As long as free discussion of the past is not possible, a compromise between cultural life and the government is out of the question.

"It is an open question whether reason will be allowed to prevail and bridge the deep conflicts of interest." That is how he sums up the phase of contemporary history which is now determining his fate as a Hungarian author.

CC OFFICIAL ON WEAKNESS OF PARTY ROLE, INFLUENCE

Budapest PARTELET in Hungarian No 3, 1987 pp 8-12

[Article by Istvan Petrovski, Director of the Department of Party and Mass Organizations of the MSZMP CC; Text of speech given at the 19-21 Feb 1987 theoretical conference held in Szeged, "Contemporary Questions About the Development of Socialism in our Country": "Strengthening the Influence of the Party"]

[Text] It is our Party's historic merit that after subduing the 1956 counter-revolution, while preserving and carrying on the Hungarian communist movement's most glorious traditions, it bravely broke with the early fifties' political distortions, and re-established Lenin's norms of party life and socialist constructionism. It declared its willingness to fight against any rigid and dogmatic interpretation and application of the tenets of Marxism-Leninism, the same as against a voluntarist interpretation of the legitimacies disclosed by theory, and against revisionist political deviations. Ever since, this two-front fight has been a permanent feature of our Party's ideological and political activity. The Hungarian Socialist Workers' Party (MSZMP) has turned into permanent political practice Lenin's tenet that the working class and party, by themselves, without confederates, are not capable of constructing the new society. Confederationist policy, and the practice bearing out its validity, have created mutual trust between party and population, released tremendous creative forces, and become one of the most important sources of our results achieved in socialist constructionism. In party life, they have legalized democracy and democratism, i.e., collective leadership. Consistent application of Lenin's principle of democratic centralism has insured the purity of party life and, at the same time, provided an exemplary source for the widening of social life and social democracy.

The Temporary Central Committee, in its decree of December 5, 1956, pronounced: "The political and ideological leading role of the Party in the activities of state organizations, and in other social organizations of workers, must be insured not by orders, and not by autocratic decrees, but rather by a correct definition of goals and tasks, and by proposals serving the advancement of working people and country, on the part of party members

working within the organizations, doing exemplary, modest, and self-sacrificing work."

That decree, at the same time, clarifies the proper interpretation of 'leading role': Under the conditions of socialism, the greatest historic role of the party is to define, based on principle, and under consideration of the realities of a given situation, its medium-range and long-term policies, which determine the major directions and proportions of society's development. In developing policy, it must, at all times, consider the prevailing international situation, the general legalities of socialist constructionism, and the national idiosyncrasies; it must serve the people's general interests and, within them, the particular interests of the basic classes and strata.

Correct policy, however, is only a necessary, though not sufficient, precondition of the Party's leading role. For its complete success it is also indispensable that all members of society--by community as well as by individual--accept the Party's policy, recognize in it their own interests, consciously identify with it, and actively participate in its execution. That is, of course, not a spontaneous process, but the result of conscious agitation, propaganda, organization, and mobilization work by the Party.

An indispensable criterion of the success of the leading role is the extent to which political goals are realized in practice.

I

If we examine whether our Party has lived up to the above requirements, we can justly say, yes. The political line of the MSZMP developed in 1957 has withstood the test of time. Our homeland has undergone a never before experienced economic, social, and spiritual development, its international prestige has grown, the country has prospered, and its citizens can create and flourish in a good and free political atmosphere. In Hungary, socialism's position is solid, more than 90% of the means of production are in socialist hands and, with working-class leadership, power is exercised by the working people. The people's interests are well served by the Party, and mutual trust between the Party and the people is strong. Social democracy is continuously broadening and deepening, and we are in the process of realizing the totality of our country-building goals.

There is no doubt that in the course of the last decade, the results of socialist construction work developed unfavorably. In the late seventies, the Party's Central Committee--realizing the situation--made appropriate policy decisions aimed at changing the course of the economy, reestablishing and solidifying the equilibrium, accelerating intensification and product-mechanism modification, increasing income production capacity, and decreasing the rate of investment.

In the early eighties, our situation went from bad to worse. Even then, the Party reacted to the events and processes with flexible policy. In doing so, it contributed greatly to our realization of the most important aims of the sixth five-year-plan: we maintained the country's solvency, the domestic

balance of the people's economy, and, with the exception of certain strata, the working people's standard of living.

Beside adjusting its policies in view of the extremely difficult economic situation, the Party, at the time, devoted appropriate attention and energy to the continued development of the socialist elements and conditions in the political system, and in social conditions. It was the Central Committee, who decided, for example, about the modernization of the economy-directing system, about the new system of enterprise management, about the revamping of public administration, and, a result of it all, the enterprises' and/or local councils' independence and responsibility increased. A decree was born regarding the creation of a new voting rights bill, which was one of the important elements in the widening of social democratism. The Central Committee took a stand in connection with the social situation and activities of Hungarian unions, continuing to augment the unions' role in the formulation and execution of policy, and in the representation and protection of the workers' interests. It debated the social situation of youths, their living and working conditions, the difficulties of starting a career and a family, it asked the government for appropriate action, etc.

With this brief historic outline, I merely wished to indicate that even then, the Party was in the forefront of socialist processes, and there is no truth to the claims of those who say and write to the contrary, about a decline in the Party's leading role and directing capability. Policy, which is realized in decrees, decisions, standpoints, and daily work, has served the interests of country and people very well. As a result of accomplishing this policy, we succeeded in maintaining our domestic stability, and our international prestige.

The meeting of 13th Congress, which took place almost two years ago, critically and self-critically summarized the previous five years' experiences, and determined our medium-range goals and tasks. The proposed 7th five-year-plan was born in the spirit of the Congress's decision. Both documents specified that the primary aims are fomenting the economy, increasing the income production capacity, accelerating technological development and, as a result of it all, modestly increasing the standard of living. In November of 1986, the Central Committee issued a decree regarding the improvement of those social conditions, which foster the realization of the aims of the 13th Congress and the 7th five-year plan. This decree proves that the Party is capable of recognizing objective as well as subjective hurdles in the way of development, and has the strength to make decisions for their elimination, and for the initiation of changes.

II

The Decree of the 13th Congress declares: "The Hungarian Socialist Workers' Party is the revolutionary vanguard of the working class, the party of the workers; it successfully directs and organizes socialist construction activity, and fulfills its leading role.... The major requirement of successfully continuing socialist construction activity is a strengthening of the Party's leading role, and the continued widening of its ideological and political influence." There is an intimate connection between these two

statements. The strengthening of the leading role is necessary, because increasingly stricter international and domestic conditions of socialist construction demand greater readiness on the part of the Party both in the formulation and implementation of policy, but especially in the directing and controlling of its execution. What is needed is that policy continuously expose the actual situation, react with appropriate sensitivity to accelerating processes, be more fully aware of society's macro- and micro-interests, and mark out appropriate perspectives for society.

A more careful outlining of policy also requires the development of a multi-level party life. What needs definite strengthening is intra-party democracy. It is not only a question of having to adapt party democracy to social democratism—which has evolved in the last few years and is growing by leaps and bounds—but also of having to develop it to such an extent that it will serve as the paragon for continued development of social democracy. One of the preconditions of the complete success of intra-party democracy is that communists participate in formulating and changing policy, that social interests, perceived and exposed by them, receive adequate weight in policy decisions, and that party members be fully aware of their own involvement.

There is continued need of intra-party debates, of a clash of opinions. But that, undeniably, requires that party members be at a high level of preparedness and debate etiquette. We must also get used to the fact that even among the members of the Party there might evolve different viewpoints and opinions in connection with a given incident or process. While decisions are in a preparatory stage, there is, of course, room for various views and opinions, and for consequent debates. This will actually benefit the making of optimal decisions, and upgrade the importance of that question of policy-making activity, which asks: In what respect, in what way, and to what extent are we to consult party members in the course of preparing a decision. It would seem quite necessary that, in the workshop phase, we discuss with party members, more frequently than before, those policy ideas, which concern the totality or majority of society. The institution of party debate is one of the practical forms of achieving party democracy, in addition to being one of the guarantees of policy formulation, correct decisions, and unified execution.

Democracy, of course, involves responsibilities as well: the right of intervention cannot be unlimited, because it would lead to demagoguery and anarchy. Therefore, simultaneously with the strengthening of democracy, we must also strengthen party discipline in the interpretation, representation, promulgation and execution of decisions. Of the elements of party unity—unity in ideology, policy, and action—of particular importance today—not forgetting about tight interaction—is the strengthening of unity in policy-making and action. Because what we are witnessing is that following important policy decisions, there are, even within the party, significant differences when it comes to interpretation.

A concerted strengthening of party democracy, party discipline and party unity is indispensable in the interest of developing the party's "action-readiness". Party members must not be indifferent to either the formulation, or the promulgation, or the execution of policy. What is needed is active

stand-taking, and exemplary action. In essence, at the moment, these are the party members' highest duties. It is from these viewpoints that we must strengthen the party's ranks, even at the cost of parting with those who cannot or do not wish to fulfill present requirements.

The precondition of the strengthening of the leading role, and of the formulation and realization of proper policy, is high level cadre work. The democratization process of social life has decentralized decision levels. This tends to increase the responsibility of political leaders holding different positions. That is why we need leaders, who can hold their own even under more complicated circumstances, are capable of quickly recognizing changes, and are ready to adjust to them instantly. The most important requirement vis-a-vis the leaders is that there be steadily increasing productivity in the cooperatives, economic units, and institutions under their leadership. We must part company with those leaders, who are not suited for this. We must dip into the hidden reserves of leadership work. We must, more quickly and decisively, propose, elect and appoint to positions of responsibility, those livelier, more dynamic and more action-ready persons, who represent a guarantee for the accomplishment of the required work.

Especially in the economy—but in every other field of endeavor as well—we must step up the independence and responsibility of the party's organs and organizations. It is intolerable that, in plain view of party committees and party organizations, incidents should occur, the effects of which are predictably contrary to our political aims. And even less tolerable is if we acquiesce and accept that party organs and party organizations extend their help or offer political background to decisions which are contrary to our intentions or would adversely affect them.

The party programs which the Central Committee's November 1986 decision had put in effect, and even current experiences gained in dialogs held with the citizenry, indicate that the majority of party members and realistically thinking non-members identify with the spirit of the decision, even if, on occasion, it involves restrictions, or tends to push members of society to self-restraint, to harder and more determined work, and to greater achievements.

Under these more difficult circumstances, the imposition of our policies demands of our party members the kind of convincing work, that is more-than-usually intensive. And the precondition of that is that we improve intra-party communication, and the up-to-dateness of our party members' action-readiness. Because if we demand of our party members a strict adherence to the party line, then we must make sure that they know what they are expected to represent. They must have at their disposal the proper arguments and facts in order to be able to properly represent, and have their surroundings accept, the policies expressing society's best interests. In connection with all of this it is also important that we improve the methods of party work, that we enrich its arsenal of tools, and that we improve its agitational character and form-system. We must make party work more open, and we must make sure that party members are capable of influencing their immediate surroundings better by their daily political attendance, preparedness, and

agitating powers. We must stop the occasional over-regulatedness of party work, we must get rid of formal elements, and of the existing bureaucracy.

There is a rising value to the personal responsibility assumed by communists working in state and social organs, in mass organizations and mass movements, and associations, which, in turn, requires of the party's organs and organizations that they provide the communists, who work here, with concrete tasks and information. Care should be taken that they know, at any given occasion, the opinions and viewpoints of leading party organs or organizations regarding about-to-be-decided questions, and what the communists, who work here, are expected to do on their behalf. The communist group's systematic operation is becoming a practical necessity in more and more places.

III

For the strengthening of the leading role it is indispensable, but not enough, to have policies which are correct, and are formulated responsibly, and true to party principles. It is necessary that this should diffuse, through a large-capacity, ramified information-dissemination system, to all those who must interpret, explain, and promulgate it.

In the improvement of this work, an invaluable role is assigned to the party's agitation- and propaganda-work-directing organs and organizations, to the press, the party bulletins, but most of all, to the power of word of mouth. It is indispensable to create an intra-party politicizing atmosphere, and to have frequent and meaningful dialogue between communists, as a result of which the party members' theoretical political preparedness, debate-readiness and political culture can equally develop.

Strengthening of the party's leading role justifies our continued cultivation of the political mechanism, as well as elimination of any malfunctions occurring in its operation. In decision-making and responsibility-assignment there is need of a more accurate demarkation line between the individual elements of the system. The level of party work can also be raised, if the party rids itself of the burden of decision-making in questions which are obviously in the realm of government, public administration, or the economy. The independence and responsibility of the political system's constituent parts, as declared by party policy, can only be asserted if the party's organs do not undertake the tasks, but consistently examine and analyze the political effects of their work.

12759

CSO: 2500/286

PRESS, PERSONNEL CHANGES, MEDIA DEVELOPMENTS, JANUARY 1987

WIEKOW PRASA POLSKA in Polish No 13, Mar 87 pp 56-59

[Excerpts] 1 January

Boleslaw Aszklar was named deputy chief editor of GAZETA POMORSKA.

Czeslaw Ludwiczak was named chief editor of WIECZOR.

6 January

Grzegorz Wozniak was freed from his position as Interpress USA correspondent in connection with his new appointment to the Radio and Television Committee.

8 January

There was a meeting of the editorial board of CHLOPSKA DROGA during which Waldemar Swirgon was introduced to the position of chief editor in accordance with a decision of the 3rd PZPR Central Committee Plenum.

Jan Glowczyk and Zbigniew Michalek thanked the former chief editor, Mieczyslaw Rog-Swiostek, who is retiring from professional life for his long years of work for the journal and his considerable contributions to editorial, social and political activity on behalf of rural Poland.

8-9 January

On the initiative of the SD Warsaw Public Writer's Club, a group of chief editors of newspapers from all over Poland visited Warsaw. They came to Warsaw on the occasion of the 42nd anniversary of the liberation of the capitol on the invitation of the city's party and government authorities, the Warsaw Public Writer's Club and the editors of TRYBUNA LUDU.

During their visit, the journalists learned about Warsaw's contemporary problems and met with Janusz Rubasiewicz, first secretary of the Warsaw PZPR

Committee and a deputy Politburo member, Warsaw Mayor Jerzy Boleslawski and the leaders of the chief administration of the SD.

The meeting was also an occasion for establishing contacts in order to popularize in the press themes associated with the growth of Greater Warsaw. This would be furthered by direct contacts between creative members of the Warsaw Public Writer's Club and their colleagues from all over Poland.

9 January

At the Bydgoszcz Journalist's Club, there was a meeting between the first secretary of the Bydgoszcz Provincial PZPR Committee and television, press and radio journalists from that city (it is already an annual tradition for representatives of the provincial party organization to meet with Bydgoszcz journalists).

Over several hours of discussion, many subjects connected with the social, political and economic situation in the region were discussed. Many strictly local issues concerning the work of journalists were also discussed.

12 January

At the palace on Wyspa in Warsaw's Lazienki Gardens, Wiktor statuettes were awarded to 10 of the most popular television personalities of 1986. They included the journalists Tony Halik and Elzbieta Dzikowska, Boguslaw Kaczynski, Tomasz Raczek and Wojciech Reszczynski.

12 January

The Warsaw Palace of the SD Social and Legal Writer's Club organized a meeting devoted to the topic of controlling economic pathology through the State Economic Arbitration. Present at this meeting were Dr. Edward Zachajkiewicz, chairman of the State Economic Arbitration, Boguslaw Ujm, department director for the Chief Arbitration Commission and Dr. Ryszard Zelwianski, chairman of the District Arbitration Commission in Warsaw.

14 January

Stanislaw Pietrzyk was dismissed from his post as deputy chief editor of *DZIENNIK POLSKI*.

14 January

RZECZPOSPOLITA is now 5 years old. To mark the occasion, there was a meeting in the editors' offices which was attended by premier Zbigniew Messner and the director of the Bureau of the Council of Ministers, Michal Janiszewski. The premier gave the editors of *RZECZPOSPOLITA* a letter of congratulations from the chairman of the Council of Ministers, General Wojciech Jaruzelski.

16 January

Witold Strzemien was named the organizing director of the new information and announcements weekly TOP which will be published by the Warsaw Press Publishing House.

21 January

At the Warsaw Polish-Soviet Friendship Palace, Wanda Wasilewska awards for activity promoting Polish-Soviet friendship and disseminating knowledge about the USSR were given to the following journalists: Wlodzimierz Kosinski (TRYBUNA OPOLSKA), Witold Szymczyk (NOWINY, Rzeszow), Jerzy Wisniowski (TRYBUNA LUDU), Jerzy Zajaczkowski (ZA WOLNOSC I LUD) and Hanna Wierzbicka, Adam Kosiorek and Andrzej Staskiel of Polish Television for their television review of Soviet films.

23 January

Vladimir Sushchenko, chief director of the District Press Publishing House in Cherkassy and chairman of the District Administration of the Soviet-Polish Friendship Society. visited Bydgoszcz. He met many community figures including representatives of Bydgoszcz publications, print shops and the Regional Section of the Friendship Public Writer's Club which is part of the Pomeranian-Kujavian chapter of the SD. At these meetings, there were discussed specific proposals for improving cooperation between Bydgoszcz Province and the Cherkassy District of the USSR.

25 January

REPORTER, a new journal published by Interpress has appeared. Its chief editor, Wojciech Pielecki, wrote: "After four somewhat random issues, we will finally be on the permanent market. Above all, we want to be a journal for reporters and not only for Interpress reporters but for all others in Poland and around the world working under difficult conditions in local newspapers (which hire a lot of talent) as well as the papers that plunder exotic personal themes, public policy and politics. We want to be a journal for reporters in the Polish Association of Journalists and the Polish Writer's Union as well as for nonmembers..."

REPORTER will be published 12 times a year. The first issue will have 100,000 copies sold for 80 zlotys apiece.

26 January

The Warsaw Palace of the SD Friendship Public Writer's Club organized a meeting with Jan Bisztyga, deputy director of the PZPR Central Committee Propaganda Department, at which new means of propaganda in the confrontation between the two systems were discussed.

30 January

The Warsaw Palace of the SD Philosophical Public Writer's Club organized a meeting on the subject of General Wojciech Jaruzelski's visit to the Vatican.

Journalists that accompanied General Jaruzelski to Rome and a representative of the Religious Affairs Bureau took part in this meeting.

PUBLIC OPINION CENTER DIRECTOR TAKEN TO TASK

Warsaw PRASA POLSKA in Polish No 13, Mar 87 pp 53-54

[Article by Adam Budzynski: "Radio Game — What Did Docent Kwiatkowski Hear at 6:00 in the Morning?"]

[Text] I do not want to be a Cassandra but I am pessimistic about Docent Stanislaw Kwiatkowski and his Public Opinion Research Center [CBOS]. My pessimism comes from the fact that he is laying himself open to criticism on all sides by stubbornly saying things like "half-truths are only good for half-minds". Recently, Docent Kwiatkowski pointed out that his colleagues from radio, the press and various agencies had interpreted the results of the center's "How Was the Year?" poll in a very black-and-white fashion: 1986 was good and that makes it certain that this year will be even better. The outspoken docent is angry with the Polish Press Agency, the press and the other mass media because they have assiduously ignored everything in the poll results that sounded good.

For example, at 6:00 a.m. on January 6, Radio Channel 4, reporting what the public according to CBOS thinks about the government's accomplishments last year, only gave the portion of the poll results that put the government in the best light. This means that it only reported the responses of the 8 percent that felt the government had done everything it could to improve the nation's situation and the 35 percent that said the government had done much but not everything. Despite the early hour of the day, the inquisitive Docent Kwiatkowski, after hearing these "half-truths", consciously figured that the radio report lacked information about what the remainder (a negligible 57 percent) thought about the government's efforts. And this "remainder" did not at all think as highly of the government's efforts. My darling radio just avoided that topic altogether (as much as 21 percent of the respondents stated that "the government has done little").

In issue four of POLITYKA, the inquisitive Docent Kwiatkowski asked the simple and unpleasant question: "What do these half-truths for half-minds mean?". And this simple question has not gone without an answer: "I think that we are seeing signs of the old school, the old success propaganda, the claqueurs of the 1970's and their descendants and specialists at convincing those who are already convinced".

Those are hard words. They make what is left of one's hair bristle. Have we still not lost the old habits of servant-journalists? Have we not reached practical conclusions from the justified criticism of a decade of propaganda success? Have the claqueurs of the 1970's put out a generation of progeny that see only what they want to see?

I understand the bitterness and indignation of the author of these words but I cannot completely agree with his explanation of why the press reported the findings of center's poll as it did. Docent Kwiatkowski has the right to protest mass media manipulation (to use a fashionable term) of information that his firm has provided journalists because that tends to undermine CBOS's credibility and distort the sense and purpose of its work by taking its results and turning them into half- and quarter-truths and outright falsifications. On the other hand (and I am perhaps playing the devil's advocate), it is quite naturally the calling of a research institution to objectively study the state of human thought while propaganda has completely other tasks to fulfill. As the "Encyclopedia of Press Knowledge" tells us, propaganda "relies on persuasion and therefore on the manipulation of symbols".

In other words, the first task of scientists studying public opinion is to objectively present empirical facts while the first task of propagandist-journalists is to support the interests of the state, ruling party or some other power. I know that such a simplified classification may arouse many objections but not only Kazimierz Kozniowski can attest that this is how many journalists from different generations see their calling. Their reasoning is simply this: does it serve the interests of state for the radio to announce that 21 percent of the public feels that the government did little in 1986? If in spite of everything I still provide that information, what will my boss and my boss's boss say? Therefore, it would be a lot easier to just skip the matter and we therefore issue a communique which states that 35 percent of the public feels that the government did a lot but not everything. After all, no government exists that can do absolutely everything to improve its country's situation and there will always be something left to do next year.

Fervent journalist colleagues go even further. Without contemplating poll results, they forge on ahead and boldly announce that it was "good year for the country and for personal and family matters". To accentuate our success, they use Gallup polls which show that the Americans think of themselves as unfortunate and that the Belgians feel that they barely made it through the year. No one knows whether this is a form of hypochondria or if we must feel sorry for them.

Maybe I have fallen into a somewhat capricious tone but these are actually serious matters. To be specific, when the media provides information about what the public thinks of its own situation, does it not in many cases try to manipulate those findings to say that the bad things are not happening in Poland? After all, it is more more convenient and safer to tell people that they have finally received an apartment and a raise than to tell them that they will wait until 1995 for the apartment and that someone has stolen two tires from off of their car. A journalist should be able to do both.

Docent Kwiatkowski is not only asking that we not falsify the results of his firm's studies. He also wants the mass media to provide a more profound image of our real positions. I wish him the best and when the time comes, I will gladly stop being optimistic.

P.S. With great surprise I noticed that ZYCIE LITERACKI has begun to publish a radio editorial recently titled "Radio Game". Under this same title, PRASA POLSKA has been publishing my editorials for nearly two years. I do not know whether to be glad that I am slowly becoming a quoted writer or to criticize Jakub M. [unclear] for using that title without my knowledge.

12261

CSO: 2600/527

WAYS OF OVERCOMING DETERIORATING CONDITIONS DISCUSSED

Need for Market Economy

Belgrade DUGA in Serbo-Croatian 4 Apr 87 pp 18-21

[Article by Dr Dragoje Zarkovic: "A Curve on a Straight Road"]

[Text] There is no doubt that our economic situation is becoming more and more serious. There is proof of that in the record rate of inflation of 92 percent with which we ended 1986. It has been announced for this year that it will be restrained appreciably. However, the monthly growth rate of retail prices reached 6.6 percent in January and 7.2 percent in February! If we continue this movement of prices, the rate of inflation at the end of this year will reach 130 percent! Inflation is obviously growing into hyperinflation.

People have already begun to be seized by panic, especially those with small earnings because of the ever greater threat to their survival. The general insecurity in the economy and society is spreading, since the measure of value (the dinar) is rolling downhill, upsetting all calculations and estimates, imposing the realization that planning can be done only from today to tomorrow and that economic life should be organized in precisely that way in order to survive, since the future is increasingly uncertain.

Empty Promises

As the director of the Federal Bureau for Social Planning nicely put it not long ago, there are black clouds in our economic sky. The flashes of lightning have already begun. If the negative trends are not halted, there will soon be a real storm which will be very difficult to get out of!

Proclamations about an essential reduction of inflation as a synthetic expression of our overall crisis remain, then, empty promises, since not a single one of its causes has so far even been touched, nor, it seems, will that happen soon. The subjective forces have mostly been concerned with the consequences of the ever deeper crisis and the ever greater insecurity which are being manifested in the ideological context, and everything that has undesirable consequences seems to be outside their attention and activity. At least that is the way it appears when you read our press.

The partial changes in the economic system, which had not been thoroughly thought through and were carried out as part of the packages, are not yielding the desired results. On the contrary, the situation, as we have already said, is becoming increasingly unfavorable.

To illustrate, let us turn briefly to the new accounting system in the economy which is supposed to bring us closer to a real economy, to make it impossible to divide up income which does not actually exist. All of this was nicely conceived; it simply forgot one "trifle": Who is to pay the bill for the effects of applying it, since, other conditions being equal, the income shown this year on the books will be appreciably smaller than last year? As far as we know, no reduction is planned for either budgetary expenditure or the expenditure of SIZ's, nor indeed for personal incomes in the economy. So what, then, can be expected after the first accounting period of this year? A rise of the rates of taxes and contributions and a new rise of prices as a reaction to those impositions. Nothing will change, then, in the pattern of expenditures; everything will remain just as it has been up to now, only at an ever higher price level!

Realistic accounting of the costs of fixed capital and working capital should prevent them from being siphoned off into income and should prevent consumption for other than productive purposes, and it should halt the deterioration of the economy's reproductive capability, at least so that it does not drop below the level of simple reproduction; but then it must also be realized that consumption for other than productive purposes must also be different from what it has been up to now unless there is an appreciable growth of production. If this is "forgotten," then what we said above will ensue. God preserve us from that happening!

The good, though incomplete, economic policy conducted in 1983, 1984, and the 1st half of 1985 had begun to yield certain constructive benefits. We are thinking of the measures which were taken under the influence of the commitments contained in the Long-Range Economic Stabilization Program and the demands of our foreign creditors: liberalization of prices, a policy aimed toward real positive interest rates, toward a realistic exchange range, etc. However, a change of direction occurred following the April (1983) Meeting of the LCY Central Committee, when the erroneous concept of so-called programmed inflation was adopted. The movement in the opposite direction speeded up particularly since the middle of last year, and now we are harvesting the fruits of that change of direction! The freezing of prices led to a decline of output; the lowering of interest rates (by about 25 percent) speeded up inflation, and the policy of the unrealistic exchange rate dampened exports.

Fall to the Bottom

Why did that change of direction occur in spite of the Long-Range Economic Stabilization Program? We committed ourselves to an open and market-oriented economy, but unfortunately that does not exist in practice: Our economy continues to be encapsulated and administrative. Why are the fundamental commitments not being pursued?

First of all, we should point up the fact that there is persistent maintenance of conceptions of socialism and ways of building it which are based on the dominant role of the subjective forces, that is, on administrative regulation as the guarantee that we will not "get off the right road." In our case that conception has been decked out in a cloak of self-management. The self-management phraseology is a powerful ideological weapon of the bureaucracy in preserving its actual domination in our society and economy. In reality the administrative way of doing things is displacing self-management more and more, and voluntarism is displacing economic logic, so that we are moving further and further away from our fundamental commitments. That is why the economic and social crisis is deepening.

While the Soviets and indeed even the Poles are looking for salvation along the line of commitments we adopted long ago, we unfortunately are actually moving away from those commitments, as we have already said. Here lies the cause of our crisis and the root of inflation. Until that is cut, there will be no improvement of the situation.

The end of the 4th year since adoption of the concluding portion of the Long-Range Program is approaching, yet economic instability is greater and greater! Is this not an obvious indication of the great gap between what has been proclaimed and what is real?

The bureaucracy is in a position to prevent the application of all the good knowledge that we obtain, but it itself is unable to do anything to restore the economy and the society to health. There is proof of that in the experiences of, say, Poland since 1981. At present the top leadership there is enthusiastic about the changes which Gorbachev is fighting for, since it has finally become aware that society cannot preserve itself from crisis with administrative measures.

It is high time to begin to carry out the Long-Range Program, which is solidly based on the LCY Program. Otherwise the fire of inflation will flare up more and more, carrying the threat of the grave consequences and great uncertainties which could befall us.

A few days ago Franc Setinc said in a meeting held in the headquarters of the Presidium of the LCY Central Committee that we find ourselves at the most critical point of our survival and development. These are really serious words, but unfortunately they are accurate. Still more serious is the fact that if the crisis continues we can still expect the impact when we hit the bottom. Everything that has been happening in these early months of 1987 provides evidence that we are approaching it.

The ideological indoctrination of the so-called consensus economy and consensus socialism, as alternative versions of the teleological conception of socialism, struck solid roots in numerous and influential strata of the bureaucracy, indeed even in quite a few other people who for years have been living relatively well and doing little work. This has been possible because for a long time we were using foreign capital in the form of loans, while we spent our own depreciation and accumulation to a considerable extent for

purposes other than production. For example, last year all types of nonproductive consumption grew considerably faster than the growth rate of the physical volume of output and labor productivity. This kind of voluntarism in distribution is simply unthinkable, but unfortunately it has been going on for years.

Zigzag Movement

It is a fact very important to an explanation of our present situation that the fundamental commitments concerning the open and market economy have in many respects remained unstated to this very day. (We are referring to policy documents.)

For example, can we have an open economy and at the same time persistently maintain the so-called national economies of the republics and provinces? Foreign experience shows us that in an open economy entire economies of individual countries are integrating on an international scale, but in our country the prevailing conception is that there is no sovereignty for the republics nor autonomy for the provinces unless they have their own "national" economies.

And then can we have a market economy without a complete market mechanism? Ideas about the need for existence of a market for social capital and a market for manpower have been encountering fierce resistance. In this respect there has not been much progress in practice from Stalin's conception that in socialism there can be only one market--a market for products and nothing more!

We have had bad experience with government investment funds as a way of unifying capital and of guaranteeing its mobility. Then we proclaimed the pooling of labor and capital, which has not taken on life although 10 years or more have passed. Unless there is a market for social capital with real positive interest rates, there can be no satisfactory solution to this problem.

The absence of a manpower market has led to the monopoly which employed people hold over their jobs and all the negative consequences which derive therefrom. Another result is that it is possible to get a job only with very good connections or by passing fat blue envelopes. These problems cannot be overcome unless there is a market for manpower.

The third question would run like this: Is it possible to develop a market economy when there is a marked domination of the present model of so-called social ownership? Just a few days ago the Presidium of the LCY Central Committee called attention to certain new ideas about forms of ownership in our country. It is a fairly long and complicated road from those ideas all the way to amendments of the Constitution and the Law on Associated Labor.

There is no doubt that the present model of social ownership has been affected by erosion on an immense scale. And it is very difficult for new ideas to make their way. The consequences are very serious, indeed even beyond reckoning.

The fourth question which arises is this: Can we have independent economic entities—commodity producers—when at the same time we have the present labor legislation and other legislation, when we have the present arrangements under which work collectives are not independent even in selecting their professional managers? Then can we have a market-oriented economy when we have rigid schemes for the organization of economy which have been defined in legislation and are not in conformity with real life?

And many other questions can be put with every reason. For those who know what the terms open market and market economy mean, the answers to these and other questions are quite clear, and there is no need for us to dwell on them.

Until the fundamental commitments are concretized in the sense referred to, zigzag movements and all the troubles that derive therefrom are possible in our country and will go on happening. But the conservative, bureaucratic forces do not allow this concretization to take place, so that we find ourselves in a gap which is referred to as the status quo.

The Wiles of the Bureaucracy

Realizing the commitments to an open and market economy is the main direction of changes in our economic system. Otherwise the crisis will continue to deepen still further.

Speaking in concrete terms, the changes in our economic system must pursue the line of affirming a unified Yugoslav market which is becoming more and more involved in the flows of the world economy. Only on that basis can we create uniform conceptions of the development of economic and noneconomic infrastructural activities, a single conception of inclusion in international economic relations, a single conception of the domestic division of labor, technological development, and everything that can be influenced in a planned way under present-day conditions.

If the upcoming constitutional amendments do not bring about all that we have referred to above, the prospects for getting out of the crisis will not be visible on the horizon.

In our complicated state economic unification and through it every other kind of unification is possible only with the market mode of economic activity, in which economic logic and economic laws are honored, in which the best are rewarded and the worst are penalized.

Dr Marijan Korosic makes an excellent observation in his book "Inflacija i mogucnosti suzbijanja" [Inflation and Possibilities for Combating It]: The consistent high inflation, the country's overindebtedness, which has reached a critical limit, the threat of external illiquidity, the extremely grave situation in the domestic financial sphere, the irregular issuing of money, and other real problems have given first importance to the question of the effectiveness of the entire economic system which has been under construction ever since the 1974 Constitution. The economic system which has been created has made it possible for the government to pull the strings in all the spheres

of economic life, and it has taken on all the features of a quasi-self-management mechanism. It would be a great error to suppose that satisfactory solution can be obtained by making additions or small repairs in the economic system" (p 50).

To illustrate at least some of what has been mentioned, we will point out that according to the statement for the period January-September 1986 uncollected receivables amounted to 6,011 billion dinars, of which all of 1,544 billion were not covered by anything (that is, without bills of exchange). Total negative exchange rate differences amounted to 6,007 billion dinars, and unpaid interest due banks was 448 billion, and payments against the principal of debt which had come due but were not paid amounted to 822 billion dinars. The trade surplus of \$1.5 billion with the bilateral payments area was accompanied by the issuing of dinar notes in an amount equivalent to that. So how could there fail to be a devaluation of our money unit and a rise of prices in our country?!

The philosophy which has been launched to the effect that economic laws have supposedly been "overcome" in our country has led to a flourishing of various voluntarisms and all the troubles that arise therefrom. Marx's prediction has been confirmed to the effect that when social power is taken away from money and the market it is given to certain people (the bureaucracy) to display it over other people (the people). "The principle of efficiency," Korosic says, "has been belittled and destroyed, and no other principle that is at all acceptable has been constructed." "New pieces of legislation are constantly being enacted, since the old ones are not being carried out. Enactments on top of enactments, resolutions on top of resolutions, meetings on top of meetings. In actuality this is...one and the same policy, the policy of prohibitions, of issuing orders, of tightening the belt.... In the economy...no one suffers penalties for oversights, inability, or idleness. We can be certain that if it continues this way, no proposal will be so imaginative and unrealistic that the bureaucracy will not think up some new prohibition, order, freeze, or similar measure" (p 61). Korosic says that the universal administrative regulation of prices is equivalent to the 15th century belief that the earth is flat (p 68).

Since the socialized sector of Yugoslavia's economy has been left without capital and in large part without depreciation, in our economic development we must rely on foreign capital—through the creation of joint enterprises as the form for using that capital. Our legislative enactments in this sector would have to be radically altered.

Almost all the administrative barriers to the self-employment of individuals need to be done away with in order to solve the serious problem of massive unemployment. This would also create conditions for optimum use of the money savings of a portion of individuals which up to now has gone for wasteful nonproductive consumption. This would create an ever more significant sector of small business which would supplement the large-scale economy and compete with it, stimulating economic progress. As is well known, there can be no progress without competition in any field.

The pressure of the noneconomic sector on the income of the economy has been ever stronger in recent years, and its reproductive capability is indeed even below the level of simple reproduction. Under such conditions one can hardly even talk about any kind of development policy or technological modernization.

The Production of the Happy Future

Unless the process of impoverishment of the Yugoslav economy is halted, we cannot even anticipate the optimum behavior of work collectives in the distribution of income by purpose. Ad hoc government interventions in this area offer more harm than good, as shown by the reaction of the economy to the most recent enactments of the Federal Executive Council related to the payment of personal incomes.

It is a wondrous oddity in our country that there are no enactments that would halt the impoverishment of the economy because of the pressure of the noneconomic sector, although there is constant talk about the need to relieve the burden of various and ever greater taxes on the economy. Here again there is a drastic discrepancy between what has been proclaimed and what is real—as an expression of the dominance and the wiles of the bureaucracy.

All the changes in the economic system ought to pursue the line of affirming labor and its results as the sole creator of economic values, as the sole basis for evaluation of the contribution of work collectives and individuals to society. In practice this means that all have to be guaranteed equal conditions for the conduct of economic activity on the basis of real economic parameters, and here administrative interventions in the redistribution of income would be reduced to the necessary minimum.

A gigantic redistribution is now taking place through legal and illegal issuing of money: that is, it is manifested through inflation, and in this way parasitic forms of economic activity with which it is not possible to get out of the crisis are being nourished.

For example, in our country at the present time those who actually use the foreign debt in the total amount of \$29 billion (foreign capital and the foreign exchange savings of individuals) are meeting obligations related to that debt to cover about \$10 billion of the debt, while the obligations on the remainder of the debt are being paid through primary note issue. Socialization of the law and of all sorts of mistakes is also taking place mostly through the redistribution of income.

Debts to the depreciation of fixed capital which has been "eaten up" are estimated at about \$20 billion. And they are being repaid by raising prices, since otherwise the factories would shut down because the equipment is worn out.

Other domestic debts and unmet obligations are also measured in a magnitude on the order of \$20 billion and this is being repaid at least in part by higher prices.

Accordingly, the rise of prices figures as the simplest way of paying the bills that have come due for the many mistakes.

The growth of production and a reasonable policy concerning the creation of money have essential importance to slowing down inflation.

The most important thing now is to begin a change of direction which would make it impossible for the new mistakes to go unpunished, since there have already been too many of them committed! That change of direction would signify an affirmation of work and its results as the highest values of a socialist society; it would signify affirmation of the material interests of work collectives and individuals as the driving forces of development; it would signify liberation of the economy from the tutelage of politics; it would signify affirmation of responsibility as the greatest pledge that mistakes cannot be committed as they have been up to now; it would mean the end of the parasitic life without work and the realization of income by an arbitrary act of those who hold political power (for example, by an unfounded creation of money), and many other things.

An economic system which is distinguished by excessive normativism (full of various restrictions and prohibitions), as an expression of the dogmatic burdens of the bureaucracy, of its distrust of the working people and citizens, of its desire to continue to control social processes—if not directly (as under administrative socialism), then indirectly, by prescribing an immense number of norms—that kind of economic system leads to crisis and inflation and to quasi-self-management. For a long time we were deceived by consumption which did not have a sound economic basis and by the normative output of socialism and a happy future. We have reached the point now where the existence of an ever larger number of people is seriously threatened and where there are few things the workers still decide on.

The dogmatic forces, fearing for their privileges and frightened that issues of responsibility will be raised, say that such a change of direction could take us back to capitalism, that there could be some kind of recapitulation, and the labels of the bourgeois right are pinned on those who are in favor of these changes, even though they may be our top Marxist theoreticians and authentic socialist revolutionaries. Prof Aleksandar Grlickov put it superbly recently when he said that we are not in favor of any capitalism without the bourgeoisie, but in favor of self-management socialism without the bureaucracy. It is only in that kind of socialism that the crisis and inflation can be overcome.

Prospects for Governmental Moves

Belgrade DUGA in Serbo-Croatian 4 Apr 87 pp 19-21

[Interview with Dr Ljubomir Madzar, professor, by D.V.: "The Government of Our Discontent"; date and place not given]

[Text] [Question] How do you interpret the "hit of the month" about freezing salaries which was composed by the FEC? What are the consequences of the

"frozen" wages and salaries? Some people think that the freezing of wages and salaries will be followed by some kind of freezing of people!

[Answer] I am absolutely in favor of controlling personal incomes! Economic science has already ascertained that this chaos in the formation of personal incomes is one of the fundamental causes of low efficiency and of the difficulties we have found ourselves in. Accordingly, in principle I welcome the general orientation of the federal government to halt personal incomes. It must be clear to us that we cannot get out of the immense troubles we have found ourselves in without paying a heavy price. There is no one to pay the bill for us—we are the only ones to have to pay all the bills for all the mistakes. It remains to be seen, to be sure, how this is to be distributed among the various social groups and social strata of the population. But, I repeat, that bill has to be paid. It appears that the federal government has realized this and has adopted a general orientation in that direction.

[Question] There is a great question, however, of whether the government was adroit in its handling of this issue of salaries.

[Answer] This is no place for that discussion. That is, it seems to me that it is not a good point of departure for wages and salaries to be related to the level of income realized in the previous year or in the last months of the past year. Since this means that all the injustices—which for years now have come down through our system—are now frozen in place and will be perpetuated for an indefinite time. I think this is no good, although it is very difficult to suggest any practical alternative. I also believe that it is terribly destructive and harmful that an atmosphere has been created in which it is believed that the reference point for determining future incomes will be the level achieved at the end of the past year. People will then strain with all their energies to share out the largest possible salaries in order to achieve the best possible base to start from. That has to be avoided at any price.

[Question] But why did that happen?

[Answer] I do not in fact know why it happened or how it happened, since I am not familiar with the way decisions are made within the FEC. Ask the people in the government! Perhaps they have troubles and difficulties which we who examine them and criticize them at our leisure and without a care cannot see and feel. It perhaps would be good, then, for the government to explain this, since the criticism being directed toward it will not be tender at all. Even now economists are not sparing them. And the workers are striking on a massive scale. So, there remains the big question of why this was done and why no attempt was made in some other less inflationary and less destructive manner.

[Question] For example?

[Answer] Well, perhaps by saying that those who increase their salaries the least in those recent months will have it better!

[Question] Do you think that would really catch on?

[Answer] I do not know, but thought should be given to it. Nevertheless, the matter should be studied in detail in order to see what should be done and how it should be done.

[Question] So that the government does not repeat the mistakes?

[Answer] Of course. After all, when it comes to the policy of the FEC, it really is difficult to understand that terrible reduction of nominal interest rates in the middle of last year. To the best of my information, even the experts from the International Monetary Fund were greatly disappointed and angered. I think that economists could not have accepted nor approved that. The FEC did it in a rather naive way, for one thing on the basis of some projected inflation, and then they dealt with that forecast of inflation at a level which even then must clearly have been unrealistically low: that is, it must have been clear that prices could not settle at such a low level. Nor can we easily justify or understand why the FEC was extremely reluctant to pursue the policy of the real rate of foreign exchange. The gap between what the dinar is really worth and its value fixed by the FEC is growing systematically. The last figure which I heard is that domestic prices are on the average 29 percent higher than export prices. Of course, in such a situation there is no benefit to be got from exports, and a good businessman will not become involved in exports unless he has some great trouble, and to be sure, this has immediately been felt in the export results.

So, these are things which are difficult to explain and justify. I am afraid that the FEC has been subject to certain political pressures, since the exchange rate essentially affects the interests of the underdeveloped by contrast with those which are advanced. In other words: the underdeveloped have an interest in having the exchange rate remain unrealistic, that is, for the dinar to be overvalued, since they owe more, they are more burdened with various payments and interest, and then any adjustment of the exchange rate means drawing off large amounts of income for them. But we should also realize that that gain of theirs will be considerably smaller than the joint loss of the Yugoslav economy as a whole.

[Question] Yet another gain, then, to our own detriment!

[Answer] Precisely so.

[Question] In forecasting the fate of the Mikulic government when it had just taken power you said that its chances for glory were minimal. That government will soon mark the 4th year of its term of office. It need not win glory, but in the war which it is waging can it at least win a few battles? Which, for example, and how?

[Answer] I have already said that I cannot approve certain steps. They have been too slow in adapting the exchange rate, they were incomprehensibly anxious to lower the real rate of interest in foreign exchange, and so on. At the same time I must say that some moves are to my liking. The philosophy of controlling personal incomes represents a kind of sound core in the policy of

the Mikulic government. And then I very much like their insistence on the fundamental revision of the accounting system, which is supposed to eliminate many fictitious elements from our accounting system, to prevent income from being recorded where it does not exist, to prevent sharing out what has not been created, which ultimately means consuming what is referred to as social property. Here I think they have hit the nail on the head. To go further, to the best of my information, they are preparing for a regime of noninterest revaluation of debtor-creditor obligations, and that is an absolutely indispensable move....

However, the situation in which that government is making its effort is a horrible one. It would be unfair not to admit it. In this kind of inflation, under this kind of threat that the foreign debts cannot even be serviced, which is still a white-hot level of uncertainty, that is, under those horrible conditions, it is not easy to make the right moves. I think that any realistic evaluation of the functioning of the Mikulic government, which, of course, must presuppose an element of criticism, at some points even bitter and sharp, must at the same time appreciate the factor of the extremely difficult conditions under which that government must operate. The same was also true of Milka Planinc's government when she inherited that horrible situation of there not being detergents and soap for people to wash with in the country!

It should also be said that we cannot say that the government bears direct responsibility for those difficult conditions in which it is operating, since those conditions are the result of decisions made long ago and of accumulated mistakes and defects in the institutional edifice of society. They simply came along and have been trying to do the best they know how and are able, but there are some moves which I cannot understand, at least those which I have referred to, and I cannot accordingly approve them.

[Question] So, yet another "government without glory" with an alibi of its good intentions....

[Answer] Of course, in this kind of situation the Mikulic government had no opportunity to win glory, since all the trends are downward, and it is obvious that there is not the political will and social readiness for radical and far-reaching moves which would alter the situation. Accordingly, the government must operate in the context of numerous political and social constraints, and then it makes the moves which are possible in view of those constraints. At the very best it can only moderate those trends.

A wise government can manage to make that trend less disastrous, while a poorer one could bring about a larger and faster hurtling into the abyss. But regardless of what happens, the Mikulic government will not be able to win glory. There are few people who can really see this, measure it, and understand that things could in fact be worse than they are! That is why the government is simply condemned to being criticized in view of the circumstances in which it operates, even in fact when it is conducting the best policy! If I might so put it, then, it is a very thankless task to be a government today!

7045

CSO: 2800/196

POLITICAL CHANGES URGED TO COMBAT ECONOMIC CRISIS

Belgrade DUGA in Serbo-Croatian 18 Apr 87 pp 19-21

[Article by Dr Ivan Stojanovic: "Neither Commander-in-Chief Nor Conductor"; passages within slantlines published in boldface]

[Text] One of the central issues in the present social situation in Yugoslavia is certainly the stance that is to be taken in terms of content and organization by the League of Communists, in view of the role which it has in society, to make the greatest contribution to overcoming the economic and social crisis more rapidly.

It might be said that the first task faced by the League of Communists in this area has already been accomplished. This was the task of ascertaining the causes of the negative economic trends. On a global plane, that is, on the plane of the Yugoslav economy as a whole, these causes have been ascertained, specifically in the Long-Range Economic Stabilization Program. The question remains, however: Has the transition been made sufficiently from determination of the global causes of the economic crisis in Yugoslavia as a whole to determination of those causes which are dominant in particular and specific environments--this or that region, republic, province, opstina, or organization of associated labor?

It is difficult to answer this question in the affirmative. There are quite a few environments, opstinas, or organizations of associated labor, for example, but also at a higher level, where the economic stabilization is being mainly approached, even by the organizations and forums of the League of Communists, as a Yugoslav problem, not as an altogether concrete problem of that environment.

Let us illustrate with just one example.

For a long time now the rise of prices has been one of our major economic and social problems.

It is easy to ascertain that the high rate of inflation is one of the important causes and consequences of the economic trends embodying crisis in Yugoslavia as a whole. It is just as easy to ascertain that inflation has its objective causes, but also subjective ones--that many organizations of

associated labor and sociopolitical communities are trying with the high prices of products to "offset" their own poor performance, low productivity, and insufficient business acumen. In those same organizations of associated labor and sociopolitical communities where in meetings one hears an almost unanimous oath of allegiance to the Long-Range Economic Stabilization Program, one also encounters an abnormally high rise of prices.

A Knot of "Red Threads"

Let there be no misunderstanding: There had to be a significant rise of prices, but it is obvious that there are also many increases which cannot be justified on any /socially/ acceptable grounds. Those organizations of associated labor and sociopolitical communities should be told quite clearly: We do not need abstract support for economic stabilization, what we need is concrete; we do not need verbal support, we need support in terms of real action. And this should be said first of all by the League of Communists--from the central committees to the opstina and basic organizations.

There is another characteristic situation that should be pointed to in connection with inflation. There are few meetings, especially those "at the low level," in which today there is not a great deal of criticism addressed to the general rise of prices. Such criticism is heard even in meetings of basic organizations of the League of Communists. But those price increases are occurring primarily through the decisions and demands coming from that same lowest level, from organizations of associated labor and sociopolitical communities. One thus gets the impression that even at the lowest level the dominant behavior even on the part of party members is that /there is a great deal of criticism, but little self-criticism. The behavior of others is criticized, but no critical examination of the critic's own behavior./

The League of Communists, its forums and organizations, must overcome this approach to social criticism. There is little benefit from that activity when everyone, from the central committees to the basic organizations of the League of Communists, is concerned only with "large-scale policy" and general long-term social commitments. Everyone should in fact be concerned with that kind of policy, but the republics, the provinces, and the opstina and basic organizations of the League of Communists must also be particularly concerned about that much more "ground level" policy--the concrete implementation of the agreed policy in the republic, province, region, opstina, or organization of associated labor.

All of this essentially points to a much broader question, does the League of Communists need to change something within itself, if so, what, so that it might respond more fully to the tasks which it has in carrying out those sociopolitical changes which are a condition for socioeconomic stabilization?

/The Long-Range Economic Stabilization Program has not essentially altered anything in the organization of the economy and society, in the balance of power--economic, political, and other. The "national economies" and many anti-economies are continuing to represent the dominant feature of the Yugoslav economic system and practice./ "Consensus to the point of paralysis" continues to be one of the main causes why the necessary changes do not occur.

The "red thread" running through the Long-Range Economic Stabilization Program was the demand for changes in the economy, in the system, and practice of economic activity. The "red thread" in the Critical Analysis of the Functioning of the Political System was essentially the reluctance to change anything in political relations. /The economic system, which to a high degree is politically instituted, can be altered only if there is a change in political relations, above all a change in the balance of power between economics and politics./

It is (was) unrealistic to expect that any very essential changes of direction could occur over a short period of time. But is such a change of direction suggested even today, at the beginning of the 2d half of the eighties? There are a number of objective difficulties impeding the accomplishment of economic-political changes. The resistance does not lie only in political structures, but also in the base of society, especially those who for years, if not decades, have become accustomed to having this or that privileged position in the real systems for decisionmaking, distribution, and so on. The economic reform has necessarily demonstrated that quite a bit of what exists in our society is more or less socially unnecessary or useless. And that is one of the reasons why the essential reform does not occur.

More Order and Justice

The democratization of the socioeconomic and political system brought about by self-management, especially the one that began in the seventies, created the danger that the /League/ of Communists, as the principal vehicle of communist and socialist consciousness, would be more or less outside concrete and real economic and political decisionmaking. This also created the danger that the League of Communists would be distanced from the opportunity to exert a very direct impact on the communist-socialist orientation of political and economic decisions, more concretely, for instance, on the degree of adjustment of particular (partial) and general (social) interests, on seeing that political and economic decisions which are made conform to the long-term interests of building socialism in our country. Put more simply, a danger has been created of the League of Communists, since it no longer wields power directly, being more or less on the periphery of that exercise of power, especially when it comes to the exercise of authority (economic and political) at the lowest level—in organizations of associated labor and local communities. That is why today we should be quite open in seeking an answer to the question: To what extent is the League of Communists a real political factor in society, especially, we repeat, /at the base of society,/ particularly in view of the fact that it is difficult, especially in the context of large economic disturbances, for anyone to suppose that it is a political factor if it is not also a factor in economic decisionmaking. Insofar as the League of Communists is today a real political factor, it is also able and required to perform its revolutionary historical mission—the mission of developing self-management and socialism. Nor is it irrelevant at this point to recall that for the LCY there is no socialism without self-management, nor is there self-management without socialism.

Although the League of Communists has affirmed this long ago, the following needs to be constantly reaffirmed—that it can perform its revolutionary

historical mission only if it has close ties with the broad working strata of society, with the real interests of those strata. And since it is certain that the interests of those strata lie in introducing more economic order and social justice in the economy, the League of Communists must at all levels be a factor for pursuit of those interests. That is why the efforts of the League of Communists in certain environments to mitigate the social difficulties of certain categories of the population such as the unemployed, those with low personal incomes who are unable to moonlight, those without housing, and so on, are not "outside the system." This is a meaningful aspect of the direct fight being waged by the League of Communists for more social justice. The fight for more economic order is contained in those activities of the League of Communists such as those aimed at quite radical changes in the economic system, distribution according to work, opposition to the further socialization of losses, and so on.

The Egoism of the Ruffian

It is beyond dispute that the League of Communists has had a decisive impact on the development of self-management and the overall development of our society. If it is to continue to do that, it must adapt to the changes which our society and economy need today. One of the foundations of that adaptation is that the League of Communists can no longer "allow" above all itself or anyone else to behave contrary to the socioeconomic stabilization; that is, it has to oppose that kind of behavior, no longer just verbally and abstractly, but specifically and in deeds.

It is very easy to argue, for example, that there will be no stabilization so long as there are more or less exclusive republic and provincial market and economies instead of a unified Yugoslav market. There is no modern economy with small markets. That was altogether clear even back at the beginning of the seventies, at the time when work was being done to enact the 1974 Constitution. Which is why that constitution contains provisions on the unified Yugoslav market: for instance, the provision in Article 251 to the effect that "any enactment or act is unconstitutional if it violates the unity of the Yugoslav market." But although the constitution is utterly clear here, the disruption of the unity of the Yugoslav market has occurred on a large scale in the years that have passed.

Many of those disruptions have been "sponsored" in one way or another by party members--in organizations of associated labor and in the forums of sociopolitical organizations.

What is the situation today?

The situation is such that on the one hand there stands the Long-Range Economic Stabilization Program, which has been given full support in almost all forums and at all levels, and in which it has again been demanded quite clearly that sociopolitical communities must prevent "threats" to and derogation of the unified Yugoslav market. On the other hand there continue to be a great many "disruptions" of the unified Yugoslav market. That is why it is high time to stop saying one thing and doing something else, to maintain the unified Yugoslav market in words, and to support something else in deeds--

the closing off of markets and economies of the republics and provinces. The League of Communists must lead the way in that kind of change of behavior. It should lead the way in increasing the prestige of the Constitution and the law, rather than undermine them, which there has been quite a bit of in practice.

Often that kind of undermining occurs, as it is said, out of good intentions. For example, actions contrary to the unity of the Yugoslav market are taken in order to protect something "of one's own," some organization of associated labor "of one's own," or "one's own" consumers. Most frequently these actions are in accord with the short-term interests of the particular community, but they are out of line not only with the long-term interests of Yugoslavia as a whole, but they are also out of line with the long-term interests of that particular community in which they are taken. Someone can derive benefit from shutting off a market today and tomorrow, but not over the years which lie ahead of us. Party members must be aware of this first of all; they are those who must be ahead of others in examining the long-term and general interests and they must fight for them.

All in all it has seemed, especially since adoption of the Long-Range Economic Stabilization Program, that the question of "What is to be done?" has been put less and less, and the question "How is it to be done?" is being put more and more.

The League of Communists is, of course, a political protagonist above all. On the one hand it is obvious that in our country "politics," be it this way or that way, often has a decisive role in the economy, a role more important than objective economic laws. Which is why there is also a need to ascertain the causes of the economic crisis in "politics": To what extent is "politics" to blame for the economic crisis? Specifically: To what extent is the politics of the League of Communists to blame?

A major issue in this question is the political activity of the League of Communists within the delegate system.

Authority Being Eroded

The delegate system has been inaugurated, but there is a big job still to be done in researching it, especially the contradictions which have been arising in it, so that the system can develop further on the basis of those studies.

Situations are no longer possible in which the League of Communists sends out its directives to others—to the Socialist Alliance, to the trade unions, to the youth organization, to the bodies of self-management. That is why the League of Communists must equip itself more for democratic struggle, indeed even against alternatives contrary to its policy. A prerequisite for that is that the League of Communists always and in every situation have the arguments with which it can draw over a majority of the workers, the self-managers, and the delegates to its policy. Only in this way can the League of Communists strengthen its authority in society. This is in fact of essential importance to the present, since the authority of the League of Communists in society or at least in some segments of it, has been declining. The decline in the

authority of the League will occur more and more if the trend continues of its not being able to perform the tasks which it confronts.

The League of Communists must be only a part of the whole of the self-management structure of society. But not a part like any other. The leading role of the League of Communists cannot be called into question. However, the essential thing is to see that if the authority of the League of Communists in the self-management structure of society is growing weaker, that structure could be taken over by political forces and trends opposed to the League of Communists. In some areas this in fact has already occurred to a certain degree, especially in what is referred to as the superstructure. But this also exists in the economy, as is the case with the quite evident occurrences of the predominant of group-ownership interests over social interests. It is a particularly disturbing phenomenon concerning the League of Communists that at times certain members of the League even emerge as protagonists of tendencies opposite to the League of Communists. It is also disturbing that the so-called differentiation, which the League of Communists is frequently advocating, more often is just a word that has been uttered or written on paper than any action actually performed.

It could happen that the League of Communists is compelled to make a change of direction relative to its past and present activity whereby the solutions to various economic, social, and other social problems would be imposed from above. This kind of "one step backward" could in some given situation prove to be a precondition for "two steps forward." All of this could occur if the tasks on the plane of economic stabilization and socialist social welfare policy are not performed at a satisfactory pace and to a satisfactory extent.

The League of Communists must be primarily concerned with the essential and vital problems of the workers, young people, and the broad strata of society. The standard of living is one such problem today, and it will probably remain so in the coming period. This is not a problem which should be the exclusive concern of the Federation of Trade Unions, as some people still appear to think. It has to be realized and stated openly that the drop in the standard of living will occur all the more if the results achieved in the economic stabilization are poor and also that the drop in the standard of living must not hit all categories of the population equally. By avoiding leveling and even through a distribution according to work that is more consistent than at present, conditions must be created to protect the social welfare position of the most threatened strata of the population. This is only one of the contradictions which must be resolved above all by Communists in opstinas and organizations of associated labor, but also at higher levels—all the way to the republics and the Federation. Communists ought to fight so that the decline in the standard of living hurts first those who are making the smallest contribution to society--the poorer workers, those who are employed when society is receiving too little benefit from their employment, those with high personal incomes but with low work performance, and so on. The drop in the real personal incomes of the bad workers ought to be a way of motivating them to work better. The drop in real personal incomes of certain categories of employed persons should also bring about a gradual reduction of the excessively large unproductive and uncreative structure of society.

The League of Communists does not wish to be a commander-in-chief nor a conductor, nor can it be. That would be a role of the League of Communists contrary to its orientation of being above all a factor in the development of self-management. However, it is the economic crisis that has shown that a critical attitude has to be taken toward certain patterns of behavior portrayed as being those of self-management. They include, for example, those behaviors in which various types of egoisms in a range of variations that are concealed behind a shield of self-management—from group-ownership behavior in the economy to certain types of particularism in politics and in culture. A self-management which does not honor the general interests of society is not socialist self-management. And the League of Communists must fight above all for socialist self-management, not just any self-management.

Against Demagogy

It seems obvious that there is too much declaration and not enough effective action in the League of Communists, too many conclusions and definition of tasks, and not enough action to perform them. That is why the activity of the League of Communists is largely "hanging in the air." There are also too many situations in which the League of Communists and other sociopolitical organizations are criticizing the present situation in the economy and society, but not themselves as at least the partial creators of that situation. This distances sociopolitical organizations from the broad strata of the population and the workers, demoralizes the real fighters for the development of socialism and self-management, and opens up broader room for demagogy of various kinds. And demagogy further undermines the only ground on which the League of Communists can build up its real authority.

That ground consists above all of the interests of the working class. Only insofar as the League of Communists actually takes those interests as its point of departure in its activity can it avoid the ever present danger of its own bureaucratization and can it win over more and more real working people to its policy. And it is of essential importance that it win them over. Its own future development will depend on the success which the League of Communists has now and in coming years in winning over as many people as possible to its policy.

A fact which is especially disturbing is the ever more present pacification of the rank and file in the League of Communists. This is occurring more and more insofar as people are less able to see the effect and the point of their political commitment. In all of this we are not talking about a depoliticization of people, about a decline in people's interests in political events, but we are talking primarily about a more critical attitude with which people evaluate the League of Communists and the effectiveness of what it does. It is a question of the system for performance of the tasks which are set forth in the meetings of the forums and basic organizations of the League of Communists being sometimes so ineffective that people simply are no longer motivated to take part in all of that. A politics in which there is a great deal of talk, when few can see any benefit from that talk, cannot obtain a willing reception from the masses. All of this shows that there must be some essential change in the operating methods of the League of Communists. By what strategies should those changes take place?

Talk Does Not Solve Problems

The effort cannot be conducted any longer in the way it has been up to now.

For example, the leadership bodies of the LC and other sociopolitical organizations cannot go on just organizing meetings, the discussion in those meetings, and the adoption of conclusions. More and more often such conclusions are not read even by those who adopt them, much less by those for whom they were intended.

Often the political effort of the LC possesses more of the attributes of a defensive than an offensive. Sometimes and in some places political action has been reduced to verbalism to such an extent that there is a real threat of being flooded with words.

There are more and more people, especially those who are most creative, from the direct producers to renowned scientists, who are refusing to be drowned in floods of verbalism. Idle talk, meetings for the sake of meetings—creative people and men of action are rejecting this. They are becoming passive observers, and some of the most creative are abandoning the ranks of the LC and becoming critics of it. The LC must not go on distancing at least some of those people from itself, but it ought to be winning them back. That is little enough when the League of Communists and the society need a creative search for solutions to the problems pressing down upon them. Seas and oceans of empty words, rhetoric, proclamations reiterated hundreds of times—these cannot be the attributes of a modern and up-to-date fight for the revolution and progress. Many things in society need to be optimized, including the political activity of the LC. The LC must find the strength to really oppose everything that is bad within it. There is a great deal that has to be eradicated both in the LC and in society as a whole.

The situation is such that social practice must undergo essential change. If that is to occur the LC, especially its bodies of leadership, must essentially alter their behavior, the way in which they operate. They can no longer go on in the old way. This has been superseded. Routinism, uncreativity, a lack of militance, the bureaucratic pattern of behavior, verbalism, the adoption of conclusions which do not solve anything, but are only a pretense of solving something, the inflation of words, listings of detail which conceal the essence of the problem, presentation of observations which have already been stated countless times, pseudocriticism and petty criticism instead of real criticism, the refusal to go beyond principles and "fundamental" commitments to their specific embodiment—all of this and many other things are doing more to demoralize than to mobilize people, more to devalue the desires of the membership than to affirm those desires, more to prove the weakness of the LC than its power to really tackle the real and essential problem it is coming up against. If the rank and file in basic organizations of the LC are called upon to work in a new way, the central committees must first of all begin to work in that way. There must be a constant and most fundamental demand for an answer to the question: Why is it that we do not manage to carry out resolutions as to what the policy should be? This question is crucial not only to the ability of the LC to act more effectively, but indirectly also to

the preservation and further development of its leading role in the development of society. This question has been avoided for a long time. That must no longer be done.

First the main problems have to be solved, and only then those "derivative" problems. There has been an endeavor, for example, to achieve some of what would lead toward better economic results without any very essential changes in the economic system--to augment exports, to take the burden off the economy, to slow down inflation.... Life and reality have shown that real results cannot be achieved in this way.

It has been said that there is a great deal of wandering, vacillation, and inconsistency in carrying out what has been agreed. But what and who stand behind that wandering, vacillation, and inconsistency? Has there been a clear answer to that question? Has the LC made enough effort to provide that answer? Is it not necessary for it to provide such an answer soon?

Statism, bureaucratism, nationalism, and many other "isms" are often being criticized. But specifically what and who stand behind those "isms"? The LC must also provide an answer to that question. Its activity must not by any means skirt these questions. The fact that it has skirted them for a long time has brought us to a situation where even the fundamental commitments of society and the LC are not being realized, much less the concrete tasks which it has been setting for itself and the rank and file. Without a broad democratic search for an answer to these questions, and those answers must above all come from the membership of the LC and the broadest public, it is very possible that those answers will either not be forthcoming, or will not be realistic.

7045

CSO: 2800/200

MATEJKA COMMENTS ON R&D PROGRESS OF CEMA COUNTRIES

Prague HOSPODARSKE NOVINY in Czech No 8, 1987 pp 1, 10

[Article by Eng Karel Matejka, R&D Research Institute, Prague: "The Next Steps in the CEMA Comprehensive R&D Program"]

[Text] The groundwork was set last year within the CEMA community for further advances in the Comprehensive R&D Program for the CEMA Member Countries Through the Year 2000. However, the participating countries entered the new year somewhat behind in certain areas. Mainly, they were aware of the necessity of resolving a number of problems related to the implementation of some of the priority R&D programs specified in this document in 1985. The article "Sphere of Decision" (HOSPODARSKY NOVINY, No 7/1987) presented a number of these problem areas, in the context of an investigation of the practices of the Czechoslovak organizations participating in this program. This article will examine the potential for eliminating some of these shortcomings.

An important step has been taken in the implementation of the Comprehensive R&D Program for the CEMA Member Countries [hereafter Comprehensive Program]. During the past year CEMA agencies, in conjunction with the pertinent lead organizations, reached agreement upon and approved detailed cooperative programs for all 93 problems (main tasks) in the five priority areas of the Comprehensive Program. Each detailed program consisted of specific R&D assignments, established targets for technico-economic parameters for finished products, stages and final deadlines for their development and testing, forms and techniques of cooperation, financing mechanisms, the participating organizations from specific CEMA countries, and the role each is to play in the implementation of given programs.

The priority areas and 93 main tasks of the Comprehensive Program (excluding those scheduled to begin at a later date) have been broken down into 930 specific tasks (themes), and more than 2,000 individual R&D assignments involving specific end products. These programs call for the development during the current 5-year plan of more than 1,000 machines, equipment, instruments and mechanisms of state of the art sophistication, about 500 modern technological processes, and more than 400 new materials.

In many instances preliminary agreement has been reached regarding participation by individual CEMA member countries and their production

sectors in cooperation and production specialization, and for deliveries of specific products.

Groundwork Has Been Laid

These agreements have set the groundwork so that the R&D and production cooperation needed to implement the Comprehensive Program can now be formalized in intercountry agreements and by contracts between cooperating organizations. Last year more than 140 intercountry agreements were signed, covering most parts of the Program. In contrast, the contractual confirmation of cooperative arrangements at the level of individual organizations is in its infancy, because it is dependent on the signing of the intercountry agreements. (see HOSPODARSKE NOVINY, No 7/1987).

Approximately 2,000 R&D and production firms are involved in the implementation of the Comprehensive Program: more than 400 from the USSR, 370 from Poland, 370 from the CSSR, etc. At the same time the function of lead organizations which are the coordinators responsible for the 93 main tasks, is being filled, by agreement, solely by Soviet organizations. This is particularly true of the large R&D-production associations and the newly established R&D complexes. Research institutes, development organizations, and production firms of the other CEMA countries fulfill the role of cooperating organizations and, in some instances, are assigned the job of lead organization for the resolution of one of the specific tasks (themes) of the Comprehensive Program.

Czechoslovak organizations are involved in work on 88 of the 93 main tasks of the Comprehensive Program, to varying degrees and with varying intensity. In some cases (where Czechoslovakia has special capabilities) our organizations will take full responsibility for some projects for the entire CEMA. These will be primarily some of the tasks for which the lead organization is based in Czechoslovakia. In other cases our organizations will work in conjunction with other partners from the CEMA. In still other instances, because of the structure of its R&D and production base, Czechoslovakia will not participate in the R&D phase, but will work with the results of the R&D program (either R&D documentation or a license). In a final instance it is conceivable that Czechoslovakia will not be involved in any phase at all, but will simply import a new technology from elsewhere in the CEMA.

The highly refined nature of the preliminary international division of labor in the implementation of the Comprehensive Program is evident from the fact that the CSSR will participate in only 380 of the total of 930 specific tasks (about 41 percent of the total) while Czechoslovak organizations will coordinate the work of only 82 tasks (8.8 percent of the total). Such an extreme international division of labor should have a positive impact on the structure of our R&D and production base and on the mutual flows of specialized products between the CSSR and the countries of the CEMA. The CSSR has adopted measures appropriate for this situation. For instance, CSSR Government Resolution No 172/1986 calls for, among other things, the cancellation in the state R&D plan of all programs that

will now be handled by other CEMA countries, and for which it would be possible and advantageous for the CSSR eventually to meet its needs either through licensing agreements or the importing of specific products. The resources that become available in this way are then transferred to those R&D programs to which the CSSR is committed, and particularly those where we have an interest in production specialization.

Some difficulties and shortcomings in the implementation of the Comprehensive Program have become evident in the past year. Some of the detailed cooperative programs and intercountry agreements were not negotiated within the desired deadlines. Other partners in R&D programs proved unable to agree on a division of labor between them. The priority program technique for planning cooperative programs was not implemented fully. In many cases no confirmation was obtained of production cooperation and specialization commitments after the R&D phase, nor were provisional production quotas or preliminary delivery targets for given products agreed upon. The above difficulties also led in many cases to delays in signing cooperation agreements between two participating organizations. Regarding newer forms and techniques of cooperation, contractual R&D cooperation has been set up fairly frequently, and we have had fairly good luck in setting up international problem solving collectives. Very little has been done, in contrast, regarding the establishment of joint funds for the financing of important selected cooperative projects.

Pressure on Polytechna

In terms of implementing the Comprehensive Program, 1987 is the most critical period yet. In the first place, we must make up for the shortfalls that the above described events have caused. We must also complete the planning phase and sign program contracts. Negotiations will be completed on international production cooperation and specialization. Any remaining intercountry agreements and contracts between cooperating organizations must also be finalized. We must also finalize the management systems and implementation mechanisms for the Comprehensive Program; this will necessitate significant changes in the way the CEMA as a whole operates. Once this groundwork has been laid we should be able to move ahead with the full and intensive implementation of all the priority areas of this program, including its main and specific tasks, and both R&D and production activities. At the same time this is the year when the CSSR begins the restructuring of its economic system, a process which includes an expansion of our participation in the international division of labor.

Currently, with most of the detailed cooperative programs already in place, as well as the intercountry cooperative agreements, we have begun negotiations on civil contracts among cooperating organizations. This will result in significant pressures on the Polytechna foreign trade organization [PZO] which, under decree No 86/1981, Laws of the CSSR, is charged with the negotiation of agreements on R&D cooperation. The implementation of these agreements include foreign currency revenues and

payments, as well as all agreements concerning the development of new technologies, machinery, equipment, instruments, computer software, materials, and other products.

To date Polytechna has formulated more than 100 multilateral and bilateral agreements on cooperation between CSSR organizations and their CEMA partners concerning the implementation of the Comprehensive Program. Realistic projections indicate that by the end of 1987 some 500 such agreements should be in place, with most of them finalized in the first half of this year.

The implications of this for Polytechna are evident from the fact that in the 1976-1980 5-Year Plan it negotiated only 200 agreements (an average of about 40 per year) valued at Kcs 488 million, while for the most recent 5-Year Plan the figures were 545 agreements valued at Kcs 620 million, or an average of 110 agreements per year. In the past year alone, however, our organization concluded 204 agreements with foreign partners through Polytechna. These agreements covered various R&D programs and were valued at more than Kcs 300 million. This represents, then, the second significant qualitative shift in the level of contractual confirmation of cooperative agreements in the past decade.

Given the number of specific tasks and the projected number of individual tasks involved in the Comprehensive Program one may assume that the number of requests for negotiating agreements regarding R&D cooperation will only increase, probably culminating in the middle of this year. In view of the capabilities of the appropriate trade groups in the staffing levels of the Moscow Vnestechnika All-Union Association for USSR-CSSR relations) there is a real danger that the already long periods of time needed to conclude a contract will become even longer, thereby causing undesirable delays in individual projects related to the Comprehensive Program.

Make the Best Use of Opportunities

We must therefore search for ways to minimize or eliminate totally this danger. There are basically two possibilities: the broad development of direct relationships between cooperating organizations, or the signing of comprehensive civil contracts covering both R&D and production cooperation. Clearly only a combination of both of these alternatives will enable us successfully to complete this phase of the Comprehensive Program. Both strategies, moreover, can be implemented without making any changes in Decree No 86/1981, Laws of the CSSR, on the signing of contracts concerning R&D with foreign entities.

Let us consider the second possibility; the signing of comprehensive contracts covering cooperation in both R&D and production would make it possible to distribute the negotiations of contracts among a number of so-called goods organizations in the foreign trade sector. This would lighten the load significantly on the Polytechna PZO. Comprehensive R&D and production cooperation contracts should always be negotiated by that foreign trade organization whose product line relates most closely

to the production specialization and cooperation in question, and which would handle the importing and exporting of the production in question.

These measures may be implemented by granting a general exception (approval) to specific foreign trade organizations under Section 5, Paragraph 1 of Decree No 86/1981 Laws of the CSSR, concerning the negotiating of contracts concerning R&D cooperation with foreign entities. Such comprehensive R&D and production cooperation contracts should use the existing model text for such agreements which was specially developed for the contractual confirmation of cooperative agreements under the Comprehensive Program. This text was approved in November 1986 at the 25th Session of the CEMA Commission for Legal Questions. It should be noted that this model text contains a number of notes and explanatory statements from individual member states concerning how contracting organizations from those countries will proceed. These caveats to a certain extent complicate the functioning of the model contract, because each one represents a deviation from the jointly approved text. The State Commission for R&D and Capital Investment will therefore in the near future send copies of the model contract concerning R&D and production cooperation to all central offices of the state administration of the CSSR, accompanied by explanatory notes and guidelines for the conduct of our organizations.

Substantial simplification and acceleration of the process of negotiating contracts for R&D and production cooperation, completely leaving out the mediation services of the Polytechna PZO or other foreign trade organizations, can result in the full exploitation of direct relationships between Czechoslovak organizations and their partners in other CEMA member countries.

A number of our research institutes, enterprises and economic production units (mainly those which will be signing large numbers of contracts for either R&D or R&D and production cooperation under the Comprehensive Program) can request from the Federal Ministry of Foreign Trade [FMZO] the granting of limited authority to conduct foreign trade activities under articles 4 and 7b of the second section of the General Guidelines for Establishing Direct Relationships Between Socialist Organizations of the CSSR with Organizations from the CEMA Member Countries (supplement to HOSPODARSKE NOVINY No 37/1986). Our firms so far have not been taking advantage of this possibility. It should also be noted however that for firms that plan to sign only one or just a few contracts it will still be more advantageous to use the services of The Polytechna PZO, which has the professional staff to execute such agreements, as well as access to the necessary hard currency resources.

Internal Foreign Currency Resources?

It should also be noted that complications can arise during the processing of an application to engage in foreign trade activities. In Principles for a Simplified Approach to the Processing of Applications to Engage in Foreign Trade Activities Related to the Establishment of Direct Relations, which has been published by the FMZO, article 3 states that "Under Section

23, Paragraph 2 of Law No 42/1980, Laws of the CSSR all imports and exports of cooperatively produced products will be on a direct basis. The same is true for the procurement of technical commercial services and spare parts." The area of R&D cooperation is not mentioned in this text. Such a restriction, however, is at variance with the resolutions of the General Guidelines for Establishing Direct Relationships, and should therefore not present any obstacles to the processing of applications for establishing direct foreign trade relationships in the area of R&D cooperation.

After receiving the authority to engage in foreign trade activities (limited to the signing of contracts for the mutual deliveries of specialized or cooperative production) Czechoslovak organizations have the right to negotiate with interested partners within the CEMA on all technical and economic issues related to the direct relationships, and to sign appropriate agreements related to these. Under Article 6, Section IV of the General Guidelines these organizations may apply to the Czechoslovak State Bank for general foreign currency permission and the setting up of accounts in convertible rubles or the national currency of the country with which the Czechoslovak firm is cooperating. If the firm does not have the necessary foreign currency resources to establish direct relationships, there are other alternatives. It can apply for a hard currency credit in convertible rubles or in the national currency of the cooperating country. The authority for this transaction is Section I, Article 3 of the Principles of Finance, Credit, and Accounting for Socialist Organizations of the CSSR When Establishing Direct Relationships With Economic Entities of CEMA Member Countries, published by the Federal Ministry of Finance (also see supplement to HOSPODARSKÉ NOVINY No 37/1986), and section 23, letter b of the Decree of the President of the Czechoslovak State Bank No 103/1985, Laws of the CSSR, on credits and interest rates.

Internal foreign currency resources are obviously much preferable to credits. We will therefore restate our opinion that the policy of the FMZO and the FMF regarding foreign currency incentives for exports and imports should be applied fully to relationships with socialist countries, and primarily CEMA member countries.

This decision would not only be in line with the resolutions of the Comprehensive Program to the effect that CEMA countries will institute measures to increase incentives for participating organizations, but would also create the preconditions for obtaining enough internal foreign currency resources to set up direct relationships. Current arguments against offering foreign currency incentives for exports and imports from socialist countries (namely that since mutual deliveries are balanced there is no practical way to utilize these foreign currency resources) is no longer a tenable position once direct relationships have been established. Moreover, it must be noted that even before it became possible to establish direct relationships between R&D and production organizations in CEMA countries, Research Services had been engaging in mutual deliveries of special purpose and nonplanned machinery, equipment

and apparatus for scientific work, hard to find materials, very pure chemicals, etc. with various organizations in the CEMA countries. This trade has been valued at millions for foreign currency korumas annually.

Vacillation on Joint Funds

Another question which must be resolved as soon as possible is that of the formation and use of joint funds of participating CEMA countries to finance important projects of the Comprehensive Program. Even though the establishment of temporary international R&D collectives, joint laboratories, and even the use of advanced cooperative forms is progressing fairly well, in only a small number of instances last year were proposals made for the formation of joint funds to support detailed cooperative programs and intercountry agreements. To our knowledge not a single joint fund has yet been established.

The reasons for the vacillation by agencies and organizations of the CEMA countries concerning the formation and use of joint funds include their natural cautiousness and lack of experience with this new way of financing cooperative programs, but moreover relates to several shortcomings and imprecise points in the adopted set of regulations and standards.

The Comprehensive Program states at one point that "programs will be financed with national resources, credits from the International Investment Bank and the International Bank for Economic Cooperation, as well as from joint funds established by participating CEMA member countries to support specific, critical parts of the Comprehensive Program, which will be specified in the intercountry agreements and civil contracts between cooperating organizations." In Guidelines For Establishing and Using Joint Funds of Participating CEMA Member Countries to Finance Critical Parts of the Comprehensive Program [hereafter Guidelines], which was compiled by the Permanent CEMA Commission for Issues of Hard Currency and Finance, and received approval in May 1986 at the 119th session of the CEMA Executive Council, the range of permissible uses for the joint funds is significantly restricted. Guidelines calls for joint funds to be used only as one of the forms for the joint financing of R&D programs conducted by cooperating CEMA countries. These resources can be used for nothing other than the financing of R&D conducted under a cooperative program. This "mission" for the joint funds comes nowhere near to fulfilling the adopted fundamental objectives of the Comprehensive Program.

The Guidelines, moreover, contain other unresolved issues which cause some hesitation and indecisiveness on the part of CEMA member countries and their organizations related to whether or not they should establish joint funds.

In my opinion it would be logical to place decisions regarding the use of joint funds in the hands of boards of commissioners, i.e. collective agencies empowered to execute intercountry agreements regarding R&D and production cooperation under the Comprehensive Program. But nothing of the sort is found in Guidelines. On the contrary. Under Guidelines, the

collective agencies empowered to make decisions concerning the allocation of the resources of the joint funds are to be the "executive" cooperative agencies, and in particular CEMA agencies, intergovernmental commissions, and international economic organizations of the CEMA member countries. Given such a structure there would be a well justified fear that the release of resources from the joint funds would be bureaucratic, inflexible, and complicated.

By the same token it would be logical to entrust the administration of the joint funds and the authority over their resources to the lead organizations, i.e. the coordinators of work on the tasks of the Comprehensive Program. Guidelines, however, makes no mention of these lead organizations. It entrusts the administration and disbursement authority over the resources of the joint funds to imprecisely defined collective agencies which will be designated in intergovernmental agreements and civil contracts related to R&D cooperation. This regulation implies the almost unbelievable possibility that financial instruments (checks) might have to be signed by 10 members (this is the membership of the CEMA) of the above collective agency holding disbursement authority at its regular sessions, or that someone would have to take a "business trip" to each of these 10 countries with a check to obtain the needed signatures.

A number of additional issues must be resolved very promptly in order to improve the management system of the Comprehensive Program. It would be useful, for instance, to analyze and make international comparisons of the internal regulations and guidelines of specific CEMA countries for the establishment of direct relationships between their economic organizations. These national regulations, even though they are derived from a common set of principles, differ slightly and contain specific regulations that might complicate the establishment of direct relationships.

It will clearly also be necessary to study the composition and authority of some of the boards of commissioners for implementing intercountry agreements related to the Comprehensive Program. Other problems include setting up a system for evaluating the technical and economic parameters of new equipment developed under the Comprehensive Program, an ongoing process for adjusting this program to conform to worldwide R&D trends and priorities, and setting up systems to take full advantage of the roles of prices and money, including the function of the transferrable ruble, etc. Resolving these and other questions will significantly improve the fulfillment record of the Comprehensive Program. The principles, efficiency and effectiveness of this implementation program could then gradually have an impact on other, related areas of cooperation, thereby becoming one of the critical factors in a restructuring of the CEMA.

9276/9190
CSO: 2400/199

MANAGEMENT 'BY INDICATORS' CRITICIZED

Prague MODERNI RIZENI in Czech No 1, 1987 pp 11-14

[Article by Eng Jaroslav Jirasek, ScC, Institute for Philosophy and Sociology, Czechoslovak Academy of Sciences, Prague: "Management by Means of Indicators"]

[Text] Indicator is an essential factor in planned management, but only so far as it serves as a means and not as an end. This article points out some problems which occur when indicators become an independent entity.

We read in newspapers: The monthly turnover in a hotel near the town of Chrudim is approximately Kcs 1 million; although the planned indicators for retail sales have been achieved, it is not clear whether the hotel shows any profit. According to the article in the newspapers, this is caused by a lack of the profitability indicator. In another section of the same paper: A well-known shoe factory cannot meet its planned tasks because of a shortage of workers in one of its sewing shops. Under consideration is a plan according to which the neighboring JZD's [unified agricultural cooperatives] would help sew the shoes.

In order to demonstrate that the considerations of economy have become separated from its substance, we picked at random a Saturday supplement of a newspaper, but we could refer just as well to other newspapers, radio or television newscast, or simply daily experience.

An enterprise is striving as best it can to fulfill indicators which have nothing to do with the creation of economic assets and which do not add anything to public wealth. The enterprise is meeting its planned indicators "at any price," in complete contradiction to intensive and qualitative economic improvements. It manufactures goods that remain in storerooms because consumers are not interested in them, but it fails to produce goods they really need, because the production for the storage enables it to meet the planned ratio WP:RP (wholesale prices to retail prices, or the range of profit). It pounces with utmost vehemence on tasks for which it can earn bonuses (although the whole enterprise may not benefit from them, perhaps one of its managers may get a bonus), whatever the social consequence may be. It exports goods in such a way that if they were left in our country, it would suffer a loss.

We say "plan" but we mean "indicator." The enterprise fulfills its assigned indicators because that--and that alone--determines its ratings and its entitlement to bonuses and other premiums. Indicators determine the type of work and control the expenditure of work forces and funds.

When planned management was first introduced, it was Vladimir I. Lenin himself who explained that the art to study the economic movement by means of indicators must be adopted from capitalist practice (in his day they were called indexes - "index numbers"). Big enterprises must always have some idea about the direction and form of their development. We cannot imagine planned management without indicators.

Every capitalist company uses basic indexes to mark its development. On principle, all joint-stock companies which must render public accounts of their situation and achievements use specific indexes to report their assets and liabilities, incomes and expenditures, profits and losses. They emphasize primarily indexes of the parameter type, the so-called indicators, which express the enterprise's economic operations, strength and ups and downs in the most distinct way.

In the fulfillment of its economic function the capitalist state also uses selected indicators to express the specifics of its economic development. Capitalist enterprises and states use very few indicators. The managers in the West know them and can visualize their inner mechanisms. They are able to size up the situation of their own company more or less in relation to such relatively common indicators.

When comparing economic efficiency of our enterprises with capitalist efficiency, our managers very often complain that the data on the output of capitalist companies are too general and that "one cannot see through them." They are used to similar item analyses, but they are not used to summarize results for the enterprise from such details.

In our country there is an indicator for everything, and behind every indicator there is some unit "managing" it; it guards its indicator as the purpose of its existence, or it may protest that "its" indicator is not in an appropriate place in the enterprise, and demands that there be "its own" employee in the enterprise to provide "methodological guidance."

In the final analysis it is not even a question of actual economic efficiency and turnover, but of the "fulfillment"--i.e., achievement of the indicators. People realize how alien this mechanism is; they are constantly searching for new, more reliable indicators. One indicator evolves into whole sets of indicators which are supposed to be mutually supportive, restrictive, etc. Such search often results in efforts to find some as yet unknown indicator that does not reflect any shortcomings and does not intrude in the management. Such endeavors produced, for instance, the indicator of adjusted value added used only in our country. It is not bad; it expresses certain aspects of replacement rather well, nevertheless, if it serves as a universal criterion, it becomes strained.

As a rule, increasingly refined mechanisms are being invented to rate economic efficiency; they provide a more comprehensive picture of the enterprise's economic situation and management.

The fault is not in indicators per se. Problems occur because indicators are regarded as the last instance. A descriptive mechanism is turned into the goal itself; the form supersedes the contents; the original purpose is turned upside down and altered. The fault is in the "management by indicators" as such.

If we want a general characterization of an enterprise, we find in it many striking facets. We could say, for instance, that the enterprise has properly seized new opportunities or that it has adopted an advanced line of production; that it can overcome difficulties with which it is grappling; that it lacks skilled designers; that it must expand its development department and its production of single-purpose automatic equipment in order to modernize its base; that it must train a young generation of skilled workers, and so on. In other instances we may conclude that the enterprise has missed its opportunity; that it does not have necessary contacts with consumers; that it must promptly introduce new goods that are now in demand; that its management is not up to its challenging tasks; that its consumption of energy and materials is excessive; that its equipment is outdated or underutilized, and its export potential declining.

We would simply discuss an enterprise as a living entity; we would try to define its correlations and identify the trends of its development and concomitant controversies, etc. Would we need indicators for this purpose? Indeed, we would have to clearly identify the indicators because without them we could easily fall into subjectivism, but evidently we would not use the same indicators that appear in our official forms and questionnaires. We would need additional data with which we would work to obtain a more accurate, comprehensive picture of the enterprise.

Nevertheless, we would need something else without which such evaluations could easily get distorted—namely, our own insight in the matters in question, and extensive erudition. We should be able to discuss the enterprise, and if need be, to argue about the meaning of its indicators and to penetrate through its outside appearances to its very essence. Under such circumstances a well planned set of indicators can fulfill this cognitive and axiologic purpose.

However, it is something else if the indicators are viewed as fetishes. Instead of discussing public interest in the development of the enterprise, only specifications [of the plan] are sent out; moreover, occasionally the enterprise receives a warning not to dare deviate from its indicators, because the specifications stipulated for the enterprise are final and it must not expect any modifications.

Or some indicators may be so stringent that the enterprise does not know how to deal with them and so it does not fulfill them. Sometimes the

enterprise gets confused because it is used to the accustomed slow pace, or because it can use its hidden resources to meet the indicators, or because it simply plays "the same old game" with its superior authorities.

Nonetheless, it may happen that the indicator plainly leads its own life. Gradually indexes take it so far that the program of production is above the capacity of the enterprise. For example, its machinery is operating in three shifts but the task calculated according to the enterprise's capacity has surpassed its potential. In such cases can anyone insist on the "fulfillment"?

Or the program of production was raised but the deliveries and sub-deliveries of materials remain on the previous level. In that case can the enterprise cope with such a task? Occasionally it can if it has enough time to adapt its structure and technology, but if the change is to be made from one year to the next, the task may be overwhelming. The enterprise is supposed to "fulfill" its production plan but it does not have the materials for the production.

Work teams call for an explanation. How can they earn anything if they have nothing to work with? How can they meet their quotas if they do not have the necessary equipment? How can they produce top-quality goods with obsolete technology and machinery?

We are sitting in the office of a director whom we are interviewing about the outlook for the Eighth 5-Year Plan. First, we want to learn something about possible solutions. We ask him about such relevant data as profitability. The director apologizes: Sorry, nobody has ever asked him that question before. Of course, this is the question of the enterprise's earnings; people all over the world are watching such developments like hawks. Still, the indicators stipulated for this particular enterprise do not include this indicator.

So we ask him another question about the enterprise's future intensity and quality of economic operations in the current 5-year plan. Again the director apologizes that all he can offer are indexes. He quotes mandatory indexes, and then he explains which of them can and which of them cannot be fulfilled. Most of them can be fulfilled and for the rest the director will have to find some solution.

This peculiar way of thinking is the result of management by indicators. No one has ever discussed with the director whether he is using full capacities, whether he is meeting every requirement, whether he is making any profits. Neither his enterprising spirit nor profit-making are discussed. All that gets pushed back--sometimes successfully and sometimes not--under the sets of indicators and their indexes.

Are there any advantages in management by indicators? As we said, we cannot imagine any management without indicators. A well-chosen set of indicators expertly applied in operation means an undisputed advantage. However, we have in view another--rather questionable--"advantage."

Management by indicators is easy; it does not require any profound insights in the situation. It calls for purely formalistic approaches and little national economic competence.

As we are now facing fundamental changes in management, we must deal with this problem, get rid of the formalism of indicators and restore vigorous operations of management by means of indicators, but not "in the interest" of indicators.

9004/9190

CSO: 2400/208

DELIBERATE SPEED FOR ECONOMIC EXPERIMENT URGED

Prague RUDE PRAVO in Czech 12 Feb 87 p 3

[Article by Zdenek Hoffman: "The Experiment Means Acceleration"]

[Text] As we have already informed our readers, the CSSR Government decided that, beginning on 1 January 1987, testing would begin of the elements and components of the proposed restructuring of the economic system by means of the Comprehensive Experiment in Increased Independence and Responsibility of Economic Organizations for Efficient Development [hereafter the Experiment]. This program is to be undertaken in line with the objective requirement of the 17th CPCZ Congress that economic development must be based on the principle of democratic centralism. This involves improving the quality of centralized management while strengthening the responsibility and authority of lower levels of management, offering comprehensive support to worker initiatives, and providing increased incentives for collectives based on economic performance.

A number of our readers have responded to this decision to use the Experiment to test the principles of economic restructuring. Karel Motyka, from Ceska Tesina, commented that this decision represents "putting off the needed implementation of changes to the entire system of national economic management, which is the essential precondition for speeding up socio-economic development."

One of the objectives of the Experiment is in fact to speed up the implementation of these changes. The necessity of such changes was emphasized both at the 17th CPCZ Congress and at the Fourth CPCZ Central Committee Plenum. At the latter session it was furthermore stated that the current planned management system has ceased to be appropriate to deal with the substantially more complex and difficult conditions, tasks, and goals of the future development of our economy. Without a fundamental restructuring of the economic system we will not be able to achieve the objectives we have set for ourselves for economic growth through the year 2000. This does not mean however that until such time as the Experiment tests possible ways to speed up economic growth it will not be possible for organizations that are not participating in the Experiment to pursue this strategy. Nothing is preventing such organizations from seeking new ways to accelerate the application of the positive aspects of this

ongoing Experiment. Initial reports suggest, indeed, that many organizations are interested in participating in the Experiment, meaning that the number of participants will increase much faster than originally planned.

We must be careful, however, not to speed up this process too much. Restructuring an economic system is a complex and demanding undertaking that directly affects the lives of 15 million people. This is why change cannot be implemented before all possible impacts on the life of society and its members have been studied. Even proposed changes in production techniques will have to be tested in laboratories and pilot plants prior to implementation. This is what the Experiment is all about. It will facilitate the testing of new organizational forms and ways to manage economic processes, this is why it is a justified step. It will first be implemented in certain parts of the microstructure of the economy and then, if results are positive, it will be extended to the entire system. Should some unforeseen negative consequences ensue, changes can be made as needed without incurring serious public damages.

This is indeed the purpose of the Experiment, to test in selected organizations elements and components of the proposed gradual restructuring of the economic system. The Experiment began to be implemented at the beginning of this year at two firms, Jablonec Costume Jewelry and Crystalex. This year, in April, July and at the latest by 1 January 1988 an additional nine VHL will begin to participate: Partizanske Ogako, Hradec Kralove Czechoslovak Musical Instruments, Brno Lachema, Prague Engineering Technology Plants, Brno Agrozet, Martin Heavy Engineering Plants, Canneries and Distilleries, Prague Frozen Foods, and Prague Chocolate factories. An additional 12 enterprises will also begin to participate before the year is out, among them Pisek Jitex, Klatovy Kozak, Liberec Textilana, Nitra Plastika, and Svit Tatrasvit. Guidelines have been issued to prepare for the Experiment in at least one construction organization.

The principles of the Experiment are consistent with the goals of the Eighth 5-Year Plan and are defined so that every participating organization will be forced to manage itself effectively. The growth of production enterprises will become fully dependent on their management performance because they will have to finance all their requirement from internal resources or from loans made according to strict regulations. Wages payable resources will be tied to increases in net output, and foreign currency incentives have been increased by permitting resources generated in excess of plan targets to remain with the enterprise. Provisions have also been made to improve internal enterprise management, in part by increasing worker participation in management decision-making.

Karel Motyka views the main cause of shortcomings in the current economic system to be excessive administrative requirements throughout the system. He states: "the excessively high number of regulations (decrees, ordinances, and guidelines) according to which all economic entities must currently be managed, creates unbearable administrative demands within this management system while at the same time serving as a huge brake on worker initiatives. The only proper course of action is to simplify

and reduce the amount of managerial paper work while at the same time increasing the authority, independence, and accountability of economic organizations."

The Experiment in fact takes account of this problem. The basic tool of management will become the 5-year plan. Binding tasks will be restricted only to those critical to the national interest. There will also be a change in the relationship between the plan and value indicators. With the reduction in the number of binding tasks these indicators will assume greater importance not only as a means to gauge plan fulfillment, but also as incentives for organizations participating in the Experiment to adopt ambitious targets in their annual implementation plans. The objective is to restrict excessive operational interventions from above along the direct management axis, replacing them with improved horizontal relationships, improved contractual and supplier-consumer agreements.

Organizations participating in the Experiment will retain their depreciation writeoffs in full as a way to finance capital investment. A greater percentage of profits will also remain with participating organizations after transfers to state budgets, thus giving added incentives to generate profits.

Another reader, Antonin Tones of Zandova commented on the underestimation of the profit indicator in the past: "I have always held the view that profits should be the primary measure of enterprise vitality, and therefore the critical factor in evaluating the management of enterprises, plants and operations... Profits reflect all aspects of economic activity, including production efficiency and expense management." The Experiment also addresses this reality, by increasing the independence and responsibility of economic entities for efficient development.

The Experiment will evaluate the potential for speeding up the resolution of other developmental problems in our national economy. For instance, there will be significant changes in the management of capital investment associated with the establishment of the development fund. Capital investment will now depend on profit formation and the availability of investment loans. When making decisions related to investments, organizations will now have to calculate what their profits are likely to be. This gives organizations greater control, thus increasing the potential for making effective investments that pay for themselves rapidly.

The gradual shift from the current management system to a system appropriate to the demands of intensive economic development in the interest of social progress will not be easy. The longer we procrastinate the more difficult and complicated the task becomes. But without testing the correctness and feasibility of the elements of the proposed new system we would be irresponsible to implement it throughout the economy. In this sense testing new managerial techniques in selected economic entities through the Experiment will not hold up progress, but rather speed it up.

SOCIAL MOBILITY ANALYZED

Budapest OTLET in Hungarian 26 Mar 87 pp 34-35

[Interview with Rudolf Andorka, head of the Sociology Department of the Karl Marx University of Economics by Katalin Ferber]

[Text] [Question] You, along with several others, have been conducting research on the subject of social mobility in Hungary for more than 20 years. If we could "stop the time" now, what would you say, how open is Hungarian society?

[Answer] Openness cannot be discussed in absolute terms for it is a relative concept. If we compare today's Hungarian society with that of the pre-1945 era we find that we have a much more open society today. If, on the other hand, we compare today's situation with that of the 1960's, we have to conclude that there has been no significant change in its openness. Furthermore, if we compare it with the desired situation then--at least in my opinion--it will appear more closed than what we would optimally like it to be. Just what degree of openness is considered desirable still has not been uniformly agreed upon, either in domestic or in international sociology.

[Question] Let us, for a moment, stay with the domestic system of comparison. Between 1945 and 1948, a whole series of radical changes occurred in Hungary that fundamentally determined the directions of social mobility in our country. Your first detailed study was prepared on the basis of a survey of data for 1962-1964. What were the results of that analysis, and to what extent did your findings reflect the extremely rapid and radical nature of these changes?

[Answer] Let us, perhaps, start with a couple of definitions, i.e., with clarifying what we mean by open and closed. When sociologists around the world examine the openness of a society, they look at the extent of the differences that exist among young people from different social backgrounds in terms of their chances of mobility. In other words, they look at such things as

how much more disadvantageous it is, for example, to be from a peasant than from a white-collar family. If these differences are great, then the society is closed; if they are small, then it is open.

To get back to your question, if a society is undergoing structural changes, then this automatically entails social mobility. This mobility exists irrespective of how closed or how open a society may be, for if, let us say, there is a 50 percent decline in the number of people employed in agriculture the other half becomes "mobilized," regardless of how much of a disadvantage it had been at in comparison with other strata of society.

The Hungarian society of the pre-1945 era had been an extremely closed one compared with the European capitalist societies of the time; during this period the country had been more backward socially than economically. After 1945, our society underwent two significant structural transformations that led to some real mobility: one was the land reform, the other the disappearance of the ruling class. As this latter group had only made up 1/2 percent of the population, however, this change did not produce mass mobility.

As far as the intelligentsia is concerned, between 1945-1949 it did not experience any major movements. Social mobility brought on by a massive structural transformation was the result of industrialization, which began after 1949. As a result, by the 1960's the number of people employed in agriculture declined by nearly half, while the number of workers employed in industry significantly grew, with similarly strong increases registered in the ratio of white-collar workers, including the intelligentsia. The way we usually sum up this transformation is by pointing out that half of our industrial workers come from among the peasantry, while half of the intelligentsia is made up of people with either peasant or intellectual backgrounds. I should also add that contrary to common belief most of the former, traditional members of the intelligentsia did not sink to lower classes, or did so only temporarily.

As for the the evaluation of these processes, that is a much more difficult question. Most of these changes have been necessary and unavoidable, for if the old ratio (exceeding 50 percent of the population) of agricultural employees remains the same within that sector, the agricultural branch will never again reach its current levels. (Let us think here about the possibility of overpopulation and the corresponding shortage of land it might cause.) Naturally the process itself has entailed a tremendous amount of problems, and caused tensions and difficulties in individual lives: it is not easy to go from a

peasant farm to the city to work as an unskilled laborer. It is by no accident, therefore, that I treat the question of upward mobility with caution. For the intelligentsia it could not have been any less painful to face up to all these changes; however, a part of the old intelligentsia had not been "the best prepared to perform its functions," hence it would not be fair to characterize its partial replacement as an entirely negative phenomenon.

[Question] It was in the early 1970's that you and your colleagues prepared a second study about the degree of openness in Hungarian society. How would you compare the findings of this study with the situation in the 1960's in light of the fact that in your book you described the decade that had elapsed as a period of intensive development?

[Answer] When the results of our research appeared in the second half of the 1960's, at the time of the launching of other sociological studies, a debate began about whether the existing social (income) and other differences were beneficial or not. At the time I was a beginner researcher, so I chose my words carefully when I said that the inequalities in social opportunities which then existed were somewhat less significant than those in the capitalist countries. So, I thought, the existing situation was suitable enough to preserve, in other words that our chances would continue to be a little more equal than in most of the European capitalist countries. I am on the opinion that both from the point of view of social and economic development it is desirable to have great social mobility. If you asked me why, my answer would be (although these are not proven theses) that in the final analysis greater social mobility means greater opportunities for talented people to become successful. From the economic point of view this is an unquestionable advantage.

Another, even more important consideration is that in a more open society the various social classes are less isolated; this is clearly desirable in a socialist society for it promotes social integration and consequently also social solidarity. One interpretation of the 1981 Polish events attributes them to growing differences of opportunities, decreasing mobility, the increasingly closed character of the northern regions and the hopelessness which this isolation has entailed. The mobility opportunities available to the working strata of those regions had been closed suddenly, and this was further aggravated by income-related and other inequalities.

Changing the subject to the 1973 study, what surprised us the most was that the data gathered did not reflect any drastic changes from those of the 1963 study. The most notable

difference was the narrowing of the opportunity gap between men and women, in other words, the fact that from the point of view of mobility, the situation of women had significantly improved in the 1960's. Another important difference lay in the qualitative change that had affected the efflux of the peasantry from the villages: while in the 1950's they had been leaving the land to become unskilled laborers for political reasons, in the 1960's they were streaming over to the industrial sector already as trained skilled workers. At the same time, due partly to this development, the mobility opportunities of the peasantry had also improved, and the incomes, work places and life styles of the peasants had come closer in line with those of the workers. The mobility indicators of the intelligentsia--with the exception of those pertaining to women--had remained essentially unchanged.

[Question] What you are saying, if I understand you correctly, is that the inequality of opportunities did not change, did not lessen during that period.

[Answer] Indeed, and this was not good, despite the fact that contrary to what we had expected, the situation did not change for the worse. Going on to the studies of the 1980's, the findings of which are still very sketchy due to the long years it takes to provide a detailed assessment, we find that in terms of Hungarian society as a whole the inequality of social opportunities still has not been reduced. Some of the earlier tendencies have continued: the mobility gap between women and men has continued to narrow, and our workers and peasants have become more equally mobile.

Everything I have said so far is contrary to the public belief, especially since scientists and others keep telling us that mobility in our society is decreasing, which incidentally is a view supported by the public mood of society. If we look at the data in global terms this is not the picture we get. The problem is that partial data do indeed seem to indicate a decline in our young people's chances of mobility. There are, furthermore, two areas where there has been a demonstrable increase in the inequality of opportunities, one of them being the stratum of the unskilled workers. In some respects this stratum has become more closed, as they include many people whose parents had also been unskilled laborers. In the cultural sense this stratum has lost touch with and fallen behind the rest of society; they live in the most backward areas, which I believe is a potential source of danger. Another such stratum is that of our young intelligentsia, where the problems facing men are of particular concern.

[Question] But this is precisely where public belief is contrary to the fact, is it not?

Table 1.

(9) A: apa társadalmi csoportja az összeirt 14-18 éves korában		(1)	(2)	(3)	(11) Az összeirt jelenlegi társadalmi csoportja				(10)
		Vezető és értelmi- ségi	Egyéb értelmi	Kispa- ros, kis- keres- kedő	Szak- munkás (4)	Betani- tott munkás (5)	Segéd- munkás (6)	Mező- gazdasá- gi fizikai (7)	
Vezető és értelmiségi (1)		44,9	26,5	1,2	14,3	3,4	1,9	6,9	100,0
(2) Egyéb értelmi		17,9	34,2	1,2	28,4	6,6	4,2	6,5	100,0
Kisiparos, kiskereskedő (3)		7,8	22,6	7,8	31,2	9,8	7,5	12,7	100,0
(4) Szakmunkás		7,3	19,1	1,9	47,7	8,9	6,2	7,6	100,0
Betanított munkás (5)		3,3	14,6	0,8	38,4	19,9	9,2	12,7	100,0
(6) Segédmunkás		2,2	10,7	1,8	35,8	18,1	16,3	13,9	100,0
Mezőgazdasági fizikai (7)		2,5	6,7	1,3	23,3	15,6	10,7	38,4	100,0
(8) Mezőgazdasági önálló		3,5	8,9	1,4	17,1	13,7	8,4	45,8	100,0
1983									
Vezető és értelmiségi (1)		46,0	16,7	1,1	25,7	7,1	1,9	1,5	100,0
(2) Egyéb értelmi		23,9	23,4	1,9	35,6	8,9	3,5	2,8	100,0
Kisiparos, kiskereskedő (3)		13,6	18,2	5,7	33,6	18,0	5,0	5,9	100,0
(4) Szakmunkás		12,4	16,8	1,9	52,7	10,0	4,1	2,1	100,0
Betanított munkás (5)		6,4	10,9	2,2	48,1	21,0	5,7	5,7	100,0
(6) Segédmunkás		6,0	12,3	2,6	39,7	20,0	14,9	4,5	100,0
Mezőgazdasági fizikai (7)		5,0	7,9	1,3	35,1	20,6	8,0	22,1	100,0
(8) Mezőgazdasági önálló		5,4	9,2	1,2	26,3	23,3	6,8	27,8	100,0

Forrás: Népszám- és társadalompolitikai zsebkönyv 1985. KSH (12)

Key:

1. Managerial and white-collar
2. Other intellectual
3. Small private artisan, retailer
4. Skilled worker
5. Semi-skilled worker
6. Unskilled worker
7. Agricultural physical laborer
8. Agricultural independent
9. The social category of the father at the time the participant in the census was between the ages of 14-18
10. Total
11. The current social group of the participant in the census
12. Source: Population and Sociopolitical Handbook, 1985. KSH [Central Statistical Office]

Examples to help interpret the above Table: The figure 12.4 in column one on the fourth line of the second half of the Table indicates that in 1983, 12.4 percent of the sons of skilled worker fathers became managers and white-collar workers. Or to take another example, the number 46.0 in column one, on line one means that of the sons of manager and white-collar worker fathers 46 percent also become managerial white-collar workers, while--according to column six--only 1.9 percent of them became unskilled workers.

[Answer] In order to clearly understand this it should be noted that for years the number of young people choosing to go on to a university has been stagnant, with most of the growth occurring in other institutions of higher learning. We also know that the majority of the university-educated segment of our intelligentsia have come from the upper layers of their class, or at least from more privileged backgrounds than those who have gone on to college. The number of available university slots has not increased, owing partly to our economic difficulties and partly to our education policies. In addition, some of the Ratko generation, who today make up our "young intelligentsia," attended university during the mid-1970's when given the increased number of applicants constant admission quotas actually meant a decline. Furthermore, among the parents of today's generation there are more intellectuals than among the parents of university graduates of 20 years ago. Hence the potential demand for university slots has become significantly greater. In this situation children from white-collar family backgrounds have naturally found it easier to clear the hurdles...

[Question] ...which only exacerbates the inequality of opportunities to the disadvantage of the strata that have been crowded out.

[Answer] That is right, because the children of worker and peasant families do not even attempt to take the entrance examination anymore, seeing that they have no chance to get in. Another problem is that the circumstances of starting an intellectual career have become extremely difficult; in this connection one needs only to look at the cost of housing and the outlay of capital it entails, the growing role of parental assistance, ...

[Question] ...which obviously can more easily be financed from a white-collar family background.

[Answer] Indeed, but remember also how much sooner a skilled worker can start collecting money having "saved" himself the trouble of having to go through the non-earning university years.

[Question] According to what you have said, social mobilization can only be interpreted on the long run; examining that process on a year-to-year basis does not lend itself to meaningful interpretation. The other, similarly important fact is that the openness of a society is the function of a great many background factors. You claim that we not only must, but also need to use political measures to promote the equality of social opportunities. What kind of measures do you have in mind?

[Answer] By political means I do not mean I do not mean administrative measures, for in the first half of the 1950's it became clear that, on the one hand, they had precipitated an enormous number of negative effects, and on the other, that they did not achieve their intended purpose.

By exerting conscious political influence I mean using education policy measures, promoting qualitative changes in our colleges, improving our system of admissions, etc. We need to ensure that it is not just one's verbal abilities and superficial knowledge of information that are relied on at the university entrance examination in deciding who can, and who will be an intellectual. Our housing policy could be a similarly appropriate measure to be used to achieve this.

[Question] Can anything be said about the social impact made on our society by the, in recent years, steadily growing stratum of entrepreneurs?

[Answer] This is a very heterogeneous stratum that includes a whole spectrum of people, from Erno Rubik to the rabbit farmer in the countryside. It will be one of the exciting research projects of the coming years to determine what impact the rise of this stratum has had on mobility. Today it would be still too early to say anything about it.

[Question] You have been asked by the government to participate in research projects aimed at studying the causes of social adjustment problems. Is it true that these problems could be reduced by making Hungarian society more open?

[Answer] One of the commonly held beliefs is that in an overly mobile society there are more frequent cases of alcoholism, suicide and other adjustment problems. There is, in fact, some truth to this, for greater mobility also entails greater tensions. Looking at it from a different point of view, however, it can be argued that if the channels of advancement in a society are open, then this tends to direct people's energies in a positive direction, minimizes their experiences of failure and thus also their frustrations, which could also be the sources of the earlier mentioned social problems. If the channels of mobility are open, allowing social advancement to take place more "smoothly," then in my opinion this can have a clearly positive effect on our society.

9379

CS0: 2500/323

PROPRIETARY INTERESTS OF ENTERPRISES DISCUSSED

Budapest OTLET in Hungarian 26 Mar 87 p 11

[Article by Pal Emod: "Who Should Increase the Assets? Practice is Always More Convincing than Theory"]

[Text] Although at the Industrial Management Conference held in the middle of March questions pertaining to our domestic finance and system of taxes were just as openly raised as the current tendencies of industrial development around the world, in the article below we will focus our summary on the topic addressed by only one of the participating discussion groups. That topic was enterprise proprietary interests which during the debate, led by Razso Nyers, drew comments that reflected quite a diversity of views among the participants.

What interests an enterprise or a cooperative today? people often ask. The answers that can be heard, however, rarely point in the same direction, which suggests that the topic is complex, moreover, that it is theoretically unclear. This is probably one of the reasons why at the recently held Industrial Management Conference the discussion group led by Razso Nyers had decided to take up the question of proprietary interests. The speakers, some of whom had been asked in advance to present a paper, others of whom rose to speak spontaneously, all addressed the issue either from the practical or from the theoretical point of view. At the end I think this writer was not alone to leave with the impression that it would be difficult to reconcile the many different views that had been expressed.

Practice is always more convincing than theory. This was also the assertion made by Lajos Santa, president of the Fertos Industrial Cooperative, in reporting about the results of an ongoing experiment at his cooperative. The management of the cooperative had decided to try to increase its members' proprietary interests by issuing stocks. Accordingly, starting in 1984, every member of the cooperative was given an opportunity to buy stocks in increments of a month's wage with the maximum amount of investment limited to not more than 3

months' wages. The basic and surplus dividends to be paid to holders of these stocks have been tied to the prevailing rate of interest paid on an OTP [National Savings Bank] savings certificate. The basic surplus dividend is a sum equivalent to 25 percent of the profit share which can be deducted from taxable profits.

The results of the past 3 years have proven that buying stocks has been a good investment, with total dividends paid at 30, 29 and 24 percent, respectively. It is also true, however, that stocks are not negotiable, and can only be cashed in by members upon leaving the cooperative. On the other hand, members do have the right to withdraw the dividends or reinvest it in stocks, in other words to opt for earning compound interests.

"As the aggregate amount of the stocks purchased by the members makes up only 6 to 7 percent of the total assets of our cooperative," explained the president, "we are considering raising the maximum purchasable amount to several times its current level. For we have found that the workers are interested in knowing what will happen to their money, and this motivation may also help improve the overall economic performance of our cooperative."

Lajos Santa also mentioned a few interesting social peculiarities. Included among these was the fact that the news about bigger stock purchases tends to get around just as fast as the news of high dividend payments. Hence the cooperative has tried to connect this interest in stock buying with some degree of protection of secrecy. In spite of this, 3 of the top managers of the cooperative have been afraid to take the lead in the buying of stocks. The reason is that they are afraid of being accused of pocketing excessive profits resulting from the high dividends. Since, however, this kind of mentality is not good for anyone, the cooperative is considering allowing managers to purchase stocks in higher amounts. It is also not inconceivable for the maximum amount for which stocks may be purchased to soon reach 400,000 to 500,000 forints. This would provide a clear incentive for mid- and upper level managers to take part in increasing the profits and assets of the cooperative, not to mention that it would also strengthen people's ties with the cooperative and enhance their willingness to take risks.

Although he did not question the validity of the results of the experiment, Jeno Barsony, senior fellow at the Industrial Management Institute, argued that the interests of the enterprise council and the collective tended to be short term, hence they had little incentive to increase the cooperative's assets. He was on the opinion that the collective was more interested in getting management to increase wages than to

produce at a profit or add to the cooperative's assets. Consequently, he asserted, proprietary interests could only be realized in business-type undertakings. But in Hungary the only areas where there are efforts made to increase assets are in the private and small businesses. In the areas mentioned mostly human capital is used as private and small entrepreneurs work with minimal investment or fixed capital. The reason is, explained Jeno Barsony, that the rules of the game are not clearly defined, and the entrepreneurs are afraid of a possible tightening of controls. In other words, our economic policy must be careful not to undermine the trust it has earned.

As for the state enterprises, there the task of promoting interest in the collective property belongs to the managers. It, however, can only be realized if society makes it clear that it expects it of them, and if it is made possible to measure and control the change in the value of capital accumulated by the enterprise. (In the capitalist enterprises, especially in corporations, managers are given an opportunity to purchase stocks in greater quantities at the issue price. Since a good enterprise pays higher dividends than the normal rate of interest, managers have a dual stake in success. On the one hand, they may receive a higher pay, on the other, if production is profitable, at the end of the year they may profit a sizable dividend.)

In his presentation Jeno Barsony came up with a surprising recommendation: namely, to set up a ministry in charge of controlling [enterprise] assets that would be responsible directly to parliament. This agency would ensure that the fixed assets of the enterprises are properly utilized and increased. Its sphere of authority would include the setting up, reorganization and closing down of enterprises, and even the making of certain decisions to reduce their size.

The feasibility of this concept was challenged by several of the participants who pointed out that under no circumstances could a new ministry improve the situation. It would be all the less likely, explained Laszlo Nyikos, deputy director of the Theoretical Research Institute of the Trade Unions, since the ministries already in existence are also merely trying to assert their own interests. Hence what we need are enterprise councils that represent proprietary interests with the trade unions continuing to remain in charge of safeguarding employee interests. He suggested, furthermore, that a trade union of directors be established to represent the interests of directors, adding that the Hungarian Chamber of Commerce could also perform that function.

One can already tell from the comments that have been cited so far that there were as many opinions as there were speakers. The

reason behind this was summed up by Jozsef Veress, assistant professor at the Karl Marx University of Economics. The reason, he claimed, why we have been unable to talk about proprietary interests is because the profit and interest considerations of the new economic mechanism introduced in 1968 have not been realized. For without realistic prices and real markets profits will depend not on the activities of the enterprise, but primarily on allowances, i.e., preferences, agreed upon in advance. Hence before we can talk about real proprietary interests, profit must be viewed precisely as it is defined in the encyclopedia. Hence, suggested the assistant professor, the first thing we must do is to clarify in theory what we mean by proprietary interests, and only then should we begin to gradually build the road that will lead us to our stated objectives. In other words, the creation of proprietary interests among our enterprise managers is just as important as involving the workers as proprietors in the affairs of the enterprise.

The debate clearly showed that one of the basic questions of socialist economic management, i.e., the strengthening of proprietary interests, should be urgently clarified. And the solution will require not only theoretical but also practical steps: namely the establishment of corporations and limited liability companies where theory could actually be tested in practice. For without such experiments we will continue to be merely witnesses to heated debates.

9379

CS0: 2500/323

EFFECT OF TAX, PRICING CHANGES ON ENTERPRISES EVALUATED

Budapest OTLET in Hungarian 26 Mar 87 p 10

[Article by Emilia Pap: "Tax, Reform, Politics. 'From Now on Producer and Consumer Prices Will Move Together'"]

[Text] In order for the financial reform that had begun with the reorganization of our banking system to be completed, there is one more--in terms of potential impact extremely broad scale--step that is yet to be taken. We are talking about the tax and price reform aimed at changing the economic conditions of the entrepreneurial sphere which, starting 1 January 1988, will be augmented by a new personal income tax system. The general framework of the new regulations to be introduced has already been put into place. And although there are still many unanswered questions, the changes that will fundamentally affect enterprise management and consumption have already been commented on in several forums.

In the center of attention today are the multi-phase sales tax, the added value tax and the--by the average citizen directly to be felt--personal income tax that are to replace the tax system currently in effect. With the introduction and putting into place of the operational automatisms of the added value tax favorable effects can be achieved in the economy. It will be well suited for a more uniform handling of entrepreneurs and their products, while at the same time it will not lend itself to assuming the various preferences that have been expected of the old tax system. All of this stems from the fact that the value added tax is a charge to be levied at the time the merchandise is sold which in effect makes it a kind of commodity tax, unrelated to enterprise management, hence it affects every commodity producer equally. In this respect it fundamentally differs from the tax system that has been in effect so far which, despite the fact that it had been billed as a normative system, has been applied differently to virtually every branch as a result of various exemptions and immunities from taxation.

As for the mechanism of the new tax system, it will mean that henceforth the various products and services rendered will be taxed according to a uniform key. Forseeably, in Hungary there will be 3 keys: the 0 percent key will apply to basic foodstuffs, medications, the energy needed to operate a household, and other services which currently still receive significant state support. Non-essential services are expected to be taxed at 10 percent, and all other products at 20 percent. The tax will be added to the net price of the product, according to the appropriate key. By the time a product gets through the processing phase and reaches the marketing stage, those involved in the production process will all have paid the tax imposed on them on the basis of the price of the product resulting from the previous production phase; the new tax which is charged at the time of sale is calculated on the basis of their own net price. Practically speaking, therefore, all they are responsible for is the tax which they must pay after the amount by which they raise the price of the product. The only prices that play a role in the computing of actual production costs are the net prices. Since the end consumer cannot pass this tax on to anyone else, he must pay the full amount himself.

The effect of the value added tax is inflationary only at the time of implementation; once it is in operation it no longer has that kind of impact. It will have to be taken into account, however, that from now on producer and consumer prices will move together; in other words, the state purchase price of an agricultural commodity can no longer be raised without a corresponding increase in the store price of that product. Until now the consumer price of many commodities has included significant state subsidies, hence it has been possible to raise the state purchase price in order to support the small-scale producers while at the same time neutralizing it by increasing budgetary and price supports. Looking at it differently, however, it was precisely because of these subsidies that the state treasury has been forced to levy heavy sales taxes on other goods in order to offset its expenditures. Consequently, whenever buying durable consumer goods or clothing items, for example, the populace has been forced to pay enormous taxes.

Even with the elimination of subsidies and the introduction of the 0 percent tax key, of course, there will be several basic foodstuffs and services the price of which will rise, at the same time, however, the prices of durable consumer goods and clothing items will decline. In this manner, the price changes will radically transform the price relations--which still reflect the price adjustment of 1951--of today's system of consumer prices.

The price reform, however, also affects the producers' sphere. For the value added tax can only work in a two-tier price system

in which the producer price is clearly separated from the consumer price. In our country, therefore, in addition to increasing consumer prices we also need to cut producer prices. Cutting producer prices, however, will have another function stemming from the elimination, after the switch-over to the added value tax, of wage and property taxes and the lowering of the profit tax. Of course, if the surplus revenues accumulated by the enterprises as a result of the tax cut were not taken away this would upset the equilibrium, as the enterprises would suddenly have drastically higher spendable revenues at their disposal. Hence in those places where the tax relief would significantly improve the enterprise's income position, producer prices will be lowered in order to reduce the revenues of the enterprise. According to some calculations, producer prices will have to be cut by at least 5 percent in order to keep the real position of the enterprise sphere intact.

The added value tax system will be nicely complemented with the introduction of the personal income tax system. It will eliminate the constraints that have been placed upon the enterprises in the area of wage development. As we know, until now our enterprises have been limited in their efforts to increase wages by the extent of their tax obligations. This has meant that after every increment of growth in the amount of wages and earnings paid, additional wage and earnings taxes have been imposed on them which they have had to pay from their earned profits. The wage tax has been a fixed sum while the earnings tax has varied with the--frequently changing--regulators of earned income. Once the personal income tax is introduced the citizens will have to pay taxes after their total income for the year. As an additional means of control, of course, the enterprises will continue to pay taxes on earnings, but the significance of this tax will be far smaller than before; in fact, it is even conceivable that in the future it will be replaced by some kind of an agreement between management and the workers of the enterprise.

Our financial experts and authorities have also spoken in favor of the simultaneous introduction of the added value tax and the personal income tax. Their argument has been that since each of the two steps can fundamentally upset our existing price and income relations, if they were to be introduced separately, let us say a year apart, this would mean a double shock to the economy. And this could create a critical situation at a time of an already slowed down economic growth. The introduction of these two new forms of taxation will create a new set of circumstances to be faced by the enterprises because it will mean the elimination of the existing tax exemptions, and because the disappearance of this privilege will change their income situation. If at all possible, however, the authors of the tax

reform do want to avoid causing significant changes in the incomes of citizens, in other words, creating a situation for example in which the incomes of people living on wages and earnings would be reduced. It is, of course, already clear that those with several sources of income will be placed in a less favorable situation as a result of the combined taxes.

9379

cas: 2500/323

DEBATE ON LIVING WAGE LEVEL APPEARS IN CATHOLIC WEEKLY

'Typical' Family Expenses Itemized

Krakow TYGODNIK KOWSZECHINY in Polish No 11, 16 Mar 86

[Article by Stanislaw Remuszek: "The Social Minimum"; passages within slantlines capitalized in original]

[Text] "Encyklopedia Popularna" (PWN Press, 1982) states: "MINIMUM, SOCIAL -- the social minimum of consumption, meaning the satisfaction of man's biological needs and certain social needs considered to be socially indispensable at a given stage of the socioeconomic development of a country and in given conditions of the system of society." Thus, materially speaking, it is a specific ensemble (the so-called basket) of goods and services or, in financial terms, the aggregate worth of these goods and services. Since we could not find anywhere any numerical data on the social minimum, last year in the spring I and my wife resolved to figure out on our own this indicator for our family (2 + 2) [two adults and two children].

The calculational method used is very simple and any reader can adapt it to his own situation. First, make up an exhaustive list of the cheapest possible goods and services meeting your indispensable (see above) needs. Next, prorate the price of each good and service over the number of months prior to its repurchase; the [monthly] sum total of the results of such divisions is precisely the social minimum.

In presenting below the results of our private calculations we make the caveat that they were adapted to the needs of this article. That is to say, they apply not to the Remuszek family alone but to a typical -- as we see it -- family of two adults holding white-collar jobs in the nationalized economy (Footnote) (The term normally employed is "socialized economy," but I believe that my definition is more to the point.) -- and two children of preschool age, all in Poland in the year 1985.

Monthly Expenditures

1. /Housing/ (fixed fees), 3,388 zlotys. Of this amount, 2,462 zlotys for rental plus payment of interest on the loan for a cooperative apartment of the tenanted type having an aggregate surface area of about 63 square meters (3

rooms with kitchen, foyer, bathroom, and watercloset). This also includes the fees for the elevator, gas, central heating, and hot and cold water. Item: 650 zlotys, electricity. Item: 276 zlotys, prorated monthly, payment of annual insurance of apartment against theft, fire, flood, etc.) plus insurance for 2 adults.

2. /Housing/ (fixtures), 1984 zlotys. This includes 582 zlotys for furniture -- monthly, prorated over 20 years. This amount also includes the cost of such fixtures as door locks, faucets, curtain rods, lamps, etc. Item: 417 zlotys -- personally painting the walls, ceilings, and door and window embrasures and frames, monthly, prorated over 5 years. Item: 192 zlotys -- a refrigerator with a capacity of about 130 liters, monthly, prorated over 10 years. Item: 66 zlotys -- a rotary (non-automatic) washing machine, monthly, prorated over 10 years. Item: 165 zlotys -- a standard black-and-white TV set, monthly, prorated over 10 years. Item: 55 zlotys -- a stereo radio, monthly, prorated over 10 years. Item: 60 zlotys -- window draperies, monthly, prorated over 10 years. Item: 282 zlotys: bedding -- 4 padded-cotton comforters (monthly, prorated over 15 years), 4 goosedown pillows (monthly, prorated over 15 years), 8 personally quilted bedspreads (monthly, prorated over 5 years), 8 comforter and pillow casings (monthly, prorated over 10 years), 2 blankets of 66-percent wool (monthly, prorated over 10 years). Item: 25 zlotys -- a thermostat-equipped pressing iron, monthly, prorated over 5 years. Item: 60 zlotys -- table ware -- a complete set (for 6 persons) of plates, glasses, mugs, saucers, and aluminum cutlery (monthly, prorated over 5 years). Item: 25 zlotys: kitchenware -- a pan, a big tea kettle, a small tea kettle, and pots (monthly, prorated over 5 years). Item: 22 zlotys -- the simplest blender, monthly, prorated over 5 years. Item: 23 zlotys -- tablecloth, monthly, prorated over 3 years. Item: 10 zlotys -- 2 plastic pails, monthly, prorated over 4 years.

3. /Food/ -- 21,000 zlotys. For orientation, below is a typical (in terms of cost) daily menu for an adult and a child:

-- Breakfast. Adult: 2 soft-boiled eggs, 2 kaiser rolls with butter, a mug of milk with a teaspoonful of sugar. Child: 1 soft-boiled egg, 1 kaiser roll with butter, a mug of milk with 1.5 teaspoonfuls of sugar.

-- Morning snack. Adult: A slice of bread with butter and yellow cheese, a glass of tea with a teaspoonful of sugar. Child: a pastry or a sweet roll, half a glass of blackcurrant juice.

-- Lunch. Adult: a plate of tomato and macaroni soup, boiled beef with potatoes and pickles, a glass of compote. Child: as above, except that the servings are one-third to one-half as large.

-- Afternoon snack. Adult: an apple. Child: an apple, a piece of candy, and a glass of weak tea with 1.5 teaspoons of sugar.

-- Dinner. Adult: 2 slices of bread with butter and sausage, several radishes, a glass of tea with a teaspoonful of sugar. Child: a slice of bread with butter and sausage, several radishes, a mug of milk with 1.5 teaspoonfuls of sugar.

This menu -- and let me remind the reader that it is for 2 adults and 2 children -- consists of the following products: 6 eggs, 6 kaiser rolls (weighing 5 dkg each), 14 dkg of butter, 1.5 liters of milk, 13 dkg of sugar, 2 pastries, 0.25 liter of blackcurrant juice, 40 dkg of yellow cheese, 20 dkg of (dry) macaroni, 50 dkg of vegetables, 10 dkg of 20-percent tomato paste, 0.2 liter of sour cream, 70 dkg of beef (of which 25 to 50 percent by weight consists of bones, tendons, and fat), 70 dkg of potatoes, 30 dkg of sour pickles, 0.75 liter of compote, 60 dkg of apples, 2 candies, 30 dkg of sausage, and 15 dkg of radishes.

The cost of this daily food basket is about 800 zlotys which, multiplied by 30 days, totals 24,000 zlotys. However, I specified the total monthly food cost at 3,000 zlotys less (21,000 zlotys) to allow for the fact that for about 18 days each month the children eat meals in the preschool (in addition to afternoon snacks and dinner), as well as for the fact that once a year the whole family leaves for a 2-week vacation that includes meals (for which the cost is specified in Points 8 and 10).

For clarity's sake it should be added that the sales of meat and processed meat products are rationed: for a family such as ours the total monthly allocation of meat amounts to 10 kg (2.5 kg per person), of which the compulsory allotment of the so-called "wolciel," i.e., beef and/or veal with bones, accounts for 2.8 kg. It should also be borne in mind that the rationing of sugar and fats had still been in effect when these calculations were made.

4. /Clothing and footwear/ — 1,547 zlotys. Of this: wife — a summer dress (monthly, prorated over a year), a winter dress (monthly, prorated over 2 years), a summer skirt (monthly, prorated over 2 years), a winter skirt (monthly, prorated over 3 years), a pair of slacks (monthly, prorated over 2 years), a summer jacket (monthly, prorated over 3 years), a winter jacket (monthly, prorated over 4 years), a sweater (monthly, prorated over 5 years), a blouse (monthly, prorated over 6 months), a bodice (monthly, prorated over a year), an underskirt (monthly, prorated over a year), underwear (monthly, prorated over 3 months), pantyhose (once a month), a hat (monthly, prorated over 5 years), a scarf (monthly, prorated over 5 years), gloves (monthly, prorated over 5 years), galoshes (monthly, prorated over 2 years), shoes (monthly, prorated over a year), winter boots (monthly, prorated over 2 years), sandals (monthly, prorated over 2 years), and casual shoes (monthly, prorated over a year). Husband: socks (monthly, prorated over 3 years), shirt (monthly, prorated over a year), slacks (monthly, prorated over a year), underwear (monthly, prorated over 6 months), a suit (monthly, prorated over 5 years), a sweater (monthly, prorated over 5 years), a sportcoat (monthly, prorated over 5 years), a summer jacket (monthly, prorated over 5 years), a winter jacket (monthly, prorated over 5 years), galoshes (monthly, prorated over 2 years), shoes (monthly, prorated over a year), winter boots (monthly, prorated over 2 years), sandals (monthly, prorated over 2 years), casual shoes (monthly, prorated over a year), hat (monthly, prorated over 5 years), scarf (monthly, prorated over 5 years), gloves (monthly, prorated over 5 years). Children: the assumption is that the expenditures on clothing and footwear per child equal the average expenditures per adult (children at that age grow rapidly and wear out their clothing and footwear rapidly).

5. /Transportation/ -- 1,172. Of this amount, 860 zlotys for bus and trolley trips alone (2 monthly tickets for adults, 40 single discount tickets per child for rides to and from preschool, and 4 express-bus trips for the entire family. Item: 200 zlotys -- taxi from home to downtown, once a month. Item: 112 zlotys, vacation travel for the entire family (over a distance of about 350 km), roundtrip by second-class express train once a year.

6. /Services/ -- 1,046 zlotys. Of this amount, 594 zlotys for repair services alone -- repairs of refrigerator (monthly, prorated over 5 years), washing machine (monthly, prorated over 5 years), television set (monthly, prorated over 5 years), blender (monthly, prorated over 5 years), tailor (monthly, prorated over a year), shoemaker (monthly, prorated over a year), plumber (or electrician, or glazier -- only one of these once a year), carpenter (monthly, prorated over 5 years), upholsterer (monthly, prorated over 5 years), other minor repairs (monthly, prorated over a year). Item: 100 zlotys -- radio and TV subscription fees. Item: 152 zlotys -- postage and telephone service (2 letters every month, 1 3-minute toll call, 1 local call daily). Item: 200 zlotys -- barber for every family member, monthly, prorated over 2 months.

7. /Toilet articles, Detergents, Health Care/ -- 1,232 zlotys. Of this: cosmetics, 285 zlotys -- 150 grams of soap, 100 grams of toothpaste, package of tampons, 2 rolls of toilet paper, 0.25 liter of shampoo, 3 razor blades, 4 combs (monthly, prorated over a year), 4 toothbrushes (monthly, prorated over 6 months), electric shaver (monthly, prorated over 10 years), shaving brush (monthly, prorated over 5 years), 100 grams of shaving cream (monthly, prorated over 3 months), 8 towels (monthly, prorated over 3 years). Item: detergents -- 745 zlotys: 2 kg of washing powder, 1.25 liters of liquid detergent, 0.5 kg of laundry detergent, the fee for laundering 10 kg of clothing, dishwashing brush (monthly, prorated over a year), floor rag (monthly, prorated over a year), floor brush (monthly, prorated over 10 years), pushbroom (monthly, prorated over 10 years), plastic garbage can (monthly, prorated over 2 years), drycleaning fees (4 jackets, monthly, prorated over a year), shoepolish (2 boxes, monthly, prorated over a year), shoe brushes (2 brushes, monthly, prorated over 10 years), dishcloth (monthly, prorated over a year). Item: 200 zlotys -- medicines.

8. /Recreation, Culture, Entertainment/ -- 7,686 zlotys. Of this amount: 4,166 zlotys for a 2-week vacation with meals for the entire family, monthly, prorated over a year; one Sunday suburban excursion for the entire family, once a month; one out-of-town trip (about 200 km) by an adult on personal business, monthly, prorated over 2 months. Item: 75 zlotys -- cinema or theatre for the entire family, monthly, prorated over 3 months. Item: 100 zlotys -- a book, once a month. Item: 90 zlotys -- a weekly periodical, once a week. Item: 125 zlotys -- one newspaper, 6 times weekly. Item: 600 zlotys -- 1.5 liters of wine, once a month. Item: 840 zlotys, tobacco. One pack of cigarettes daily (assuming that only one person in the family smokes). Item: 640 zlotys -- coffee, 20 dkg. Item: 134 zlotys -- 1 kg of cake to celebrate the birthday of a family member, 4 times a year. Item: 250 zlotys -- a bouquet of three flowers (in lieu of a present) when visiting friends or relatives. Item: 66 zlotys -- celebrating Christmas and Easter, twice a year.

9. /Savings and Debts/ -- 3,100 zlotys. Of this amount: 600 zlotys, credit

union. Item: 1,000 zlotys, installment payment for apartment loan borrowed from credit union. Item: 500 zlotys -- for rainy day (funeral, wedding, accident, birth, occasional purchase, etc.). Item: 1,000 zlotys -- the lowest possible monthly deposit in apartment savings accounts for children.

10. /Miscellaneous/ -- 3,578 zlotys. Of this amount: 3,250 zlotys -- fixed preschool fees for both children (stay in preschool from 0800 until 1600 hours; breakfast, morning snack, and lunch; fees paid to parent committee and for eurhythmics and insurance). Item: 8 zlotys, stationery, ballpoint pen, notebook -- one each, monthly, prorated over a year. Item: 12 zlotys -- matches (6 boxes of about 50 matches each). Item: 20 zlotys: sewing accessories; Item: 25 zlotys -- electric bulb. Item: 13 zlotys -- one wristwatch each for 2 adults, monthly, prorated over 10 years. Item: 250 zlotys -- toys and educational aids for children, including crayons, paints, glue, etc.

Results

On adding up all these monthly expenditures we arrive at the figure of 45,733 zlotys monthly. This would mean that in the summer of 1985 the social minimum for each member of our family amounted to 11,433 zlotys monthly.

On being shown this final result of the calculations, friends of mine pointed out to me that, in their opinion, the total is at least 10 percent too low, because, they said, first, even the most modest social minimum must safeguard at least the direct reproduction of those elements of the family's assets which are included in the social minimum. They told me that the frequency of purchases of various goods as specified above does not assure their direct reproduction, not just because I had assumed too low a level of many needs but also because I overlooked the question of the deteriorating quality and hence also diminishing durability and reliability of many products.

Secondly, they said, my social minimum is also underestimated because it does not allow for the "additional costs" of purchases. They said they knew that I personally was not buying bedding or pressing irons from a speculator at prices twice as high as official prices, and that I was not discreetly handing a "Chopin" [apparently a 5,000-zloty banknote] to the preschool director for admitting my children to her preschool, and that I was not either distributing various "presents" to avoid having to stand in hours-long queues. But this does not change the fact that such practices are nowadays quite common, and hence, if I want to make my social minimum representative of the /average/ family, I have to augment it by several more percent.

Addendum

For a better orientation I prepared this addendum. It lists certain goods and services which were not included in the above highly selective basket. We divided them into two groups, of which the first comprises various objects and services which greatly alleviate every day life -- materially and psychologically. This group includes:

Nonalcoholic beverages, chocolate, cocoa, oranges, lemons, "bakalie" [southern fruits, such as raisins and almonds]; Carnivals, parties; Restaurant meals, meeting friends in coffehouses; Electric heater; Juicer; Coffee grinder and automatic coffeemaker; Sewing machine; Vacuum cleaner; Floor polisher; Record player, LP records; Videocassette recorder, cassettes; Portable radio; Cake-baking utensil; Home telephone; Camera with film, slides; Bicycles for adults and children; Skis, sleds, roller skates, iceskates; Rug and rug underpad; Paintings, "makatki" [artistic wall hangings], vases, etc.; Textiles for sewing; Woolen yarn for knitting; Cosmetics; Amateur sports, collecting, tourism, other hobbies.

Assuming that the purchase frequency and prices of these goods meet the criteria used in calculating our social minimum the monthly expenditures on purchasing and operating these goods are about 10,000 zlotys. This would result in a total of 56,000 zlotys -- let us term this the "yardstick of average living standards."

The other group is that of "luxuries" such as a summer cottage and a private land plot -- monthly, prorated over 50 years (more exactly, after 50 years of saving money....); a passenger car (monthly, prorated over 10 years), a color television set (monthly, prorated over 10 years), or lastly a 2-week trip abroad (monthly, prorated over 3 years). Given the same price criteria as previously (cheapness), the monthly cost for this group is about 20,000 zlotys. Thus, on combining this with the previous expenditures, we would have 76,000 zlotys -- let us term it "the index of a life of luxury."

Background

The immediate reason for writing this article was the "Communique of the Main Office of Statistics on the Country's Socioeconomic Situation in 1985," published in the daily Press on 4 February of this year, and especially the figures it contains on the structure and size of employment and wages. Based on these figures, and with allowance for our own calculations presented above and performed half a year ago, my wife and I were able to formulate the following seven conclusions:

1. Of the 17 million working citizens of the PRL [People's Republic of Poland], nearly 12 million (more than two-thirds) are employed in the nationalized economy.
2. Our calculations show that the tentative social minimum for the household of a family consisting of two white-collar workers and two preschool-age children in Poland in the summer of 1985 was nearly 46,000 zlotys monthly (about 11,500 zlotys per person).
3. According to official statistics, the mean monthly wage in Poland in the nationalized economy in the summer of 1985 was, including overtime hours and work on Saturdays off, almost exactly 20,000 zlotys.
4. If each of both parents in the 2+2 type family is paid the mean monthly wage and nothing more for his/her labor, their combined incomes amounted to 2

x 20,000 zlotys + 2,600 zlotys (benefits for two children), or altogether 42,600 zlotys monthly, that is, definitely less than our social minimum.

5. Let us assume that in a family of four which includes two children of preschool age, each parent works only in the nationalized economy and holds only one job (but including overtime hours) and that the parents have no other income. Then the combined monthly income of nearly 75 percent of such families in mid-1985 would be below our social minimum (less than 46,000 zlotys monthly).

6. Given the same assumption, the combined income of more than 85 percent of such families would be below our "average index" (below 56,000 zlotys monthly).

7. Given the same assumption, the combined income of nearly 95 percent of such families would be below our "luxury index" (below 76,000 zlotys monthly).

Of course, it should not be concluded therefrom -- hence the conditional tense -- that such a high percentage of Polish families indeed derives such low incomes. Many social groups receive various allowances in kind, fee discounts, etc. Principally, however, most people derive additional incomes by moonlighting in various occupations, often working altogether 10-12 hours daily. In a situation, however, when as much as 5-6 hours daily has to be spent on standing in line in front of stores, commuting to work, basic household chores, and time-consuming resolution of various affairs -- not everyone has the health, energy, time, and possibilities for such moonlighting.

History and Realities

It appears that in many countries, the statutory duties of a number of independent and authoritative institutions, ranging from government agencies through trade unions and consumer societies to specialized economics research centers, include regular studies of the social minimum and periodic announcements of its latest level in the mass media. What about this country? As we are aware, this has been done neither by the CRZZ [former Central Council of Trade Unions] nor by the successive postwar governments. In August 1981 this was demanded by the Coast workers, who succeeded in having a corresponding provision incorporated in the Gdansk and Szczecin agreements. What has happened since then?

Let the Government Press Spokesman correct me, but unless I am mistaken I have the impression that neither the PRL Council of Ministers nor any one of its agencies has ever, whether in 1980 or in 1981 or to this day, publicly announced the level of the social minimum for at least one type of household. Unless my memory errs, this has not been done either by the branch trade unions, the autonomous trade unions, the ZNP [Polish Teachers' Union], or lastly Solidarity itself; to this day this has not been done either by the new trade unions.

I have asked about this indicator at central institutions. The first four persons whom I had contacted -- Director of the Social Assistance Department

at the Ministry of ZIOS [Health and Social Welfare] Mieczyslaw Karczewski, Director of the Institute for the Market and Consumption Tadeusz Sztucki, Director of the Statistics and Analyses Department at the Main Office of Statistics (GUS) Krzysztof Gozdek, and Director of the Institute of the National Economy Marian Ostrowski -- were uncertain as to whether anyone in Poland nowadays is figuring out the social minimum. The next two persons -- Director of the Office of the Consumers' Federation Barbara Krepska and Director of the Social Surveys Department at the GUS Jan Kordos -- unhesitatingly named the proper agency: the Ministry of Labor, Wages, and Social Services (MPPiSS).

Tadeusz Komorniczak, Director of the Department of Social Services at the MPPiSS, told me, "The Resolution of 1981 of the Council of Ministers placed the Institute of Labor and Social Services (IPiSS) at our Ministry under the obligation of investigating the social minimum for the needs of government analyses. Why are not we publishing our findings? I believe because, among other things, the public's response to these findings might be improper and the social minimum would be regarded as something to which everyone is unconditionally entitled."

And here is the comment by Antoni Rajkiewicz, director of the IPiSS:

"For 5 years now, each quarter, we have regularly been calculating the social minimum for various types of households; we are regularly keeping track of more than 100 different items and services. [-----] [Decree of 31 July 1981 on the Control of Publications and Entertainment, Point 6, Article 2 (DZ. U., Item 99, No 20; revised, 1983, DZ. U., Item 204, No 44).] [i.e., passage censored.]

Resolution

On tracing the background of these comments I learned that on 10 August 1981 the PRL Council of Ministers had adopted Resolution No 165 "Concerning the Analysis and Determination of the Social Minimum." A perusal of that brief document revealed that the purpose of the related activities of the IPiSS is not only to determine the actual level of the social minimum, in kind and in terms of money, but also -- let me quote the monthly POLITYKA SPOLECZNA, published by the MPPiSS, No 9, 1981 -- to determine "the number and structure of the families whose incomes do not reach the monetary social minimum." The Resolution also specifies that the findings of the related studies are subject to consultation with the trade unions and other social organizations, and that "The chairman of the GUS will assure the consideration of data on the social minimum in statistical studies of the living conditions of the population."

Where are those consultations? Where are these statistics? The abovementioned Resolution has not been amended or voided to this day. That is very good. But it has clearly not been implemented fully. [-----] [Decree of 31 July 1981 on the Control of Publications and Entertainment, Point 6, Article 2 (DZ. U., Item 99, No 20; revised, 1983, DZ. U., Item 204, No 44).] [i.e., censored]

The Social Minimum

Are we right in supposing that nowadays the combined income from two mean monthly wages is not sufficient for a family of two adults and two children to live at the level of the social minimum? If we are wrong, where is the error in our reasoning?

How many Poles are destitute and how many merely poor? Why are not they attaining higher incomes? Who are they mostly? To what social and demographic groups do they belong? Should they be aided by the state, and if yes, which ones of them? What kind of assistance should they receive, and how often? I believe that public opinion has the right to expect fairly precise and, above all, factual answers to these questions.

This does not concern, of course, achieving some national consensus on the level of the social minimum; all this concerns is simply that this indicator be periodically published to provide every citizen with a base figure for comparisons with other criteria of the society's economic situation, such as the amount and structure of the lowest and mean wages and pensions and benefits. I personally would also very much like to know -- if only through the mediation of specialized but publicly available publications -- the detailed composition of the basket of goods and services constituting the actual social minimum in the opinion of institutional experts. I could then ascertain what I have accomplished materially at age 42 and whether my expectations and those of my wife in this respect are not too exaggerated.

Reader Protests Estimate Too Low

Krakow TYGODNIK POWSZECHNY in Polish No 15, 13 Apr 84 p 4

[Letter to the Editors by Janina Walewska: "The Social Minimum"]

[Text] This refers to the article by Stanislaw Remusko, "The Social Minimum" (TYGODNIK POWSZECHNY, No 11). It seems to me that the writer is somewhat "moonstruck" in many of his comments, and at times I do not understand what is the point he wants to make, and I cannot tell when he is really naive or unaware of the reality and when he is successfully and wittily "playing the Greek [acting naive]."

At one point in his article the writer states that the mean monthly wage is (according to official statistics, 20,000 zlotys, but a couple of lines later he comments that "it should not.... be concluded that... such a high percentage of Polish families (this concerns 75 percent) derives such low incomes...." If he really is serious about this, which seems to be so, then he truly has been living on the moon! Low incomes, low pensions! But to receive a monthly pension of 14,000 zlotys after 20 odd years of work, or as much as 17,000 zlotys after 30 years of work, is the acme of some people's dreams.

The writer has calculated on his own the social minimum per person (11,500 zlotys monthly in a family of four), and he "despairs" because in such a family (two adults and two children), allowing for this (fictitious, in my opinion) mean monthly income of 20,000 zlotys per adult, augmented with child allowances totaling 2,600 zlotys, the combined monthly income is 42,600

zlotys (or 10,650 zlotys per person). This is barely 850 zlotys less (that is, not much less) than the social minimum he had calculated.

But what would he say about a family of two adults and five children, with the parents earning 14,000 zlotys monthly each, for example, and how in such a large family could both parents be able at all to be working?

Of course, I am not complaining because the income per family member is such lower than the social minimum calculated by Mr. Remuszko (and which also is indeed too low, but for reasons other than those given by his friends!). What concerns me is simply that Mr. Remuszko wrote his article from the standpoint of a person in a stable situation (three rooms and kitchen for a family of four) whose earnings are rather good (since he believes that 20,000 zlotys monthly is "such a low" salary) and who has a healthy young family. He makes many sound claims, to be sure, and asks many important questions (e.g., he mentions pensioners and wonders how many people are destitute and how many merely poor, but even so it looks like he is unaware that many families lack even "such low incomes" as the combination of a salary of 20,000 zlotys plus family allowances, whereas in reality wages are much lower, many families have more than two children, and often a family member is sick, all of which markedly deteriorates those material conditions which seem typical to the writer. What is more, the reason why his calculation of the social minimum is an underestimate is precisely because he has not included the cost of caring for an ill family member and of his medical treatment -- a problem that sooner or later affects every family. Furthermore, while making many valid comments, recommendations, and postulates -- for which he deserves praise -- he does not realize that he is writing from the standpoint of a typical family that is, in a sense, privileged.

Now a somewhat different question. I for one completely fail to understand his last postulate, namely, his desire to know the official social minimum so as to realize a little what he has achieved in the material sense and whether his expectations for the future are not exaggerated. What does he want? After all, he knows his own earnings and the income per member in his family, and he can compare this with the social minimum that he had calculated (and eventually with a minimum raised by several percent). What does he need official figures for, in this connection? Will they change or explain anything? Perhaps I am a little dense here, perhaps I failed to understand the intentions or tone of the article, but this conclusion is completely unclear to me.

And lastly, is he writing about his family or, as he stresses himself, "pro publico bono"?

The article as a whole left me dissatisfied. It is incomplete, does not exhaust the problem, and, what is worse, presents a gilded half-truth -- not a partial truth but precisely a half-truth.

I am not at all accusing Mr. Remuszko of illwill, but I simply think that he is a little "moonstruck," that he views the surrounding world from his personal material and family position rather than more broadly and comprehensively. His views on personal affairs obscure a broader view of the surrounding reality. That is why I call this an half-truth. Perhaps somebody

more competent would comment on this topic at greater depth and more broadly and fully as well as with his feet more firmly planted in earth, so to speak.

Relationship to Poverty Level Discussed

Krakow TYGODNIK POWSZECHNY in Polish No 16, 20 Apr 86 p 3

[Article by Helena Goralska: "Another View of the Social Minimum"]

[Text] On 16 March 1986 TYGODNIK POWSZECHNY had published an article in which Stanislaw Remuszko presents his calculations of the social minimum as based on a basket of goods and services which he considers indispensable. He prices this basket at 11,500 zlotys per member of a four-member family and compares it with the average monthly wage in the socialized economy in 1985. On this basis, he has attempted to estimate how many families in Poland "lived below the social minimum."

Following the publication by the Institute of Labor and Social Services in 1981 of its calculations of the social minimum /1/, hundreds of articles on the subject had been published in the daily press and social, literary, women's, trade-union, Catholic, and party periodicals. The discussion that had then erupted focused on the specified level of the minimum (which most people thought too low, although some also thought it too high). At times the issue of the "minimum basket" also was raised -- how much meat, and how many shirts and books, e.g., it should contain. I fear that this time, too, the subsequent articles and letters to the editors will resemble those written 5 years ago.

Why am I using the verb, "fear"? Because, we shall not see the forest for the trees: we will overlook the essence of the problem, namely, poverty in Poland.

The Polish society feels itself to be a disadvantaged society. This is linked to the objective decline in living standards during the economic crisis. The feeling of disadvantage also ensues from the difficulties encountered in meeting the most elementary needs and from the vexations of everyday life (lack of opportunities for housing, tremendous difficulties in acquiring durable goods, poor quality of foodstuffs and manufactured goods). In connection with the generally difficult material situation of the society, there is often the conviction that calculating the social minimum is a panacea for the difficulties of life.

Thus there is nothing surprising in that the social minimum is a concept that excites great social emotions. Hence, it is worth a closer look.

A Little History

It is significant that the question of the social minimum arises in Poland anew following each social crisis. The first article on the subject, by S. Akolinski, calculating the minimum, appeared in 1957./2/ The first (and so far sole generally available) book on the minimum (by A. Tymowski) was published in 1973./3/ The next study of the minimum (by L. Deniszczyk) appeared in 1977./4/ The issue of the minimum arose again following August 1980 [rise of Solidarity], when the study by the Institute of Labor and Social Services had

appeared. The immediate cause of the rebirth of this issue during 1980-1981 was the corresponding provisions of the August Agreements [between Solidarity and the Government]. The minimum was also mentioned in the Resolution of the Ninth PZPR Congress (Chapter 5, pp 11 and 13) and in the August 1981 resolution of the Council of Ministers.

The studies by S. Akolinski, L. Deniszczuk, A. Tymowski, and the Institute of Labor and Social Services (IPISS) all had adopted the same approach. A basket of goods and services whose consumption is considered indispensable is determined, and thereupon it is priced in current prices. It is worth noting here that the terminology employed by these authors, as well as in other works, is extremely heterogeneous. S. Akolinski employs the terms, "existence minimum" and "minimum cost of living"; A. Tymowski, "consumption minimum," "social minimum," "life minimum," "existence minimum," and "biological minimum"; L. Deniszczuk, "model of socially indispensable minimum"; and the IPISS, "social minimum" and "crisis-era social minimum." Regardless of the term, determining the boundary of unsatisfactory living conditions is always meant.

All three documents (the August Agreements [in 1980, between Solidarity and the government], the Resolution of the Ninth PZPR Congress, and the Resolution of the Council of Ministers) employ the term "the social minimum." These documents refer to the social minimum as to an objectively existing category and state that measures should be taken to assure that no one in Poland would live "below the social minimum. Hence, in these documents, too, the social minimum is regarded as an index of poor living conditions.

[-----] Decree of 31 July 1981 on the Control of Publications and Entertainment, Points 3, 6, Article 2 (DZ.U., Item 99, No 20; revised 1983, DZ.U., Item 204, No 44.) [I.e., passage censored]

But the problem is not just that of using one term or another. The real issue is whether the proposed approach (determining the basket and its price) serves to determine the poverty line in Poland. I think not. I shall try to substantiate my negative answer. I will have to begin with certain methodological considerations.

The Minimum Basket: Each Family Lives in a Separate Dwelling

We could begin by stating that the so-called social minimum is expressed in kind (basket) and in money. This fact is quite often overlooked and the social minimum identified with its monetary value.

Thus, to calculate the "minimum," the "minimum basket" has to be determined. Let us assume that it is possible to determine the basket of goods and services whose consumption is considered indispensable. I say, "Let us assume that it is possible," although I do not believe this to be possible. I have become familiar with a large number of baskets determined throughout the world (starting with the 1899 basket for England, the baskets determined in the USSR in the 1920's and at present, and the baskets determined in West Europe and the United States). A survey of these baskets reveals that they differ markedly (even the baskets determined for one country during a single period

of time). It is simply that people's notions of indispensable goods vary so broadly.

But let us optimistically assume that we can succeed in constructing such a basket for Poland in the 1980's. Then allowance has to be made for housing conditions. In all the calculations of the minimum by Polish authors it was assumed that the family inhabits a separate dwelling of its own (allocated or cooperative-built) that meets the habitation norms and is fully equipped. Yet, "At the end of 1984 approximately 2.2 million members and candidate members [of cooperatives] had been waiting to be assigned cooperative-built dwellings (this includes 704,000 members and 1,493,000 candidate members of adult age who fully paid up in advance for their dwellings).... The growth rate of housing construction assumed in the plans for socioeconomic development.... does not afford the conditions and possibilities for a radical improvement in the housing situation of our country in the next few years."^{5/}

In view of this, let us ask: what is a reasonable interpretation of a social minimum calculated on the assumption that the family lives in a dwelling of its own?

Given such a housing situation, it does not matter whether the calculations of the minimum are based on a government-allocated dwelling, a cooperative-built leased dwelling, or a personally owned (paid for in installments or paid up) dwelling. The monetary value of the minimum is figured by including only current rental or maintenance fees of housing (whether higher or lower).

This also applies to all the other items that we can place in the basket. It does not matter whether the basket contains one towel or five, because it is years since towels had last been seen on store shelves.

Given the existing market disequilibrium, any basket of goods and services is a fiction.

The Social Minimum: Income or Expenditures

Most often, the minimum is interpreted as the current incomes of families (wages and allowances). But expenditures can be made not only from current but also from past and future incomes. Past, i.e., from previously accumulated savings, and future, i.e., from credit and loans. Moreover, families may benefit from assistance by other persons, or they themselves may provide such assistance. In view of the existence of sources of consumption other than current incomes, current expenditures may exceed current incomes. On the other hand, part of current incomes may not be spent — it may either be voluntarily set aside for savings or remain unspent involuntarily owing to the existence of deferred demand. That is, expenditures may be lower than incomes.

The discrepancy between incomes and expenditures is not always an abnormal phenomenon.^{6/} There arise periods in the life of a family when this is something natural, being related to the natural discrepancy between the rhythm of needs and the rhythm of incomes in the life of a family. For example, never and nowhere, probably, a newlywed family can meet its needs relating to settling down and commencing an independent life on the basis of its current

incomes alone (even if it is in the fortunate situation of living in a dwelling of its own). It is natural for the family in that stage of its life cycle to avail itself of bank loans. It is less natural when the family has to rely exclusively on assistance from parents of the newlyweds.

Can the Social Minimum Be a Criterion of Poverty?

Note primarily that the meaning of the "social minimum" is actually imprecise. First, it may mean the consumption in kind of the goods and services placed in the basket. Second, it may mean the incomes equivalent to the monetary value of that minimum. Third, it may mean the expenditures equivalent to the monetary value of that minimum. Each of these three interpretations is equally accepted.

But in view of this, is it possible to answer reasonably how many persons (families) live "below the social minimum"? No, because this is a poorly worded question -- we do not know whether it refers to consumption in kind, to incomes, or to expenditures. Answering one aspect of this does not bring us closer to knowing the answers to the two other aspects. Groups of families with incomes below the minimum level do not overlap with groups whose expenditures are below the minimum level or with groups whose in-kind consumption is below the basket minimum. High incomes may be accompanied by low expenditures and low in-kind consumption (e.g., owing to the deferred demand due to a disequilibrated market). Low incomes may be accompanied by high consumption (e.g., achieved by means of bank loans or through assistance from parental).

Would answering one of the variants of the question of how many persons live below the social minimum bring us closer to understanding the sphere of poverty? No, too, because we would first have to define what we mean by poverty.

Most often, in Poland poverty is construed as low financial incomes, lower than the monetary value of the social minimum based on the basket of goods and services. Let us ask: given the existing market disequilibrium, the continuing market shortages, is there any sense at all to determining the poverty line by means of the basket? How then would we assess the living standards of a family whose incomes may be even double the minimum but which faces the prospect of a 15-year wait for an apartment of its own? How would we assess the living standards of a family which derives extremely low incomes but inhabits a fully equipped dwelling of its own?

Assuring a guaranteed monetary value of the minimum is conceivable, but the assurance of incomes at that level can only meekly guarantee a fit standard of living. And it would be deplorable if we were to be content with such a meek guarantee.

Another thing: the basket of indispensable goods and services proposed by S. Reuszek is extremely rich, considering the present Polish conditions. Some of the quantities it contains markedly exceed the average consumption levels. Could such a basket and its concomitant monetary value be of any practical importance (even if we disregard all the reservations raised above). Let this

question be answered by the comments of A. Tyrowcki and M. Pohorille. The former stated, "The living standards of households calculated on the basis of the social minimum are bound to be below the statistical wealth of the average citizen"/1/, while the latter observed, "If we determine that, e.g., a majority of the society live below a social minimum determined in one way or another, this would merely signify that the society is poor, that its living standards lie at a level markedly below its aspirations and ideas of how life should be lived. The practical importance of the thus determined social minimum in social policy would be small."/2/

What is Poverty?

Poverty and the struggle against it is a huge problem on which there exists voluminous world literature -- except in Poland. Aside from a very few exceptions, there are no Polish studies of this topic./3/

Incidentally, E. Renczkowski was incorrect in stating that in many countries it is a statutory duty of a number of institutions to study the social minimum. It is correct, on the other hand, that in many countries many individuals and institutions engage in studying poverty. But that is far from being the same thing. Analyzing the minimum means disputing about the nature and quantities of the goods placed in the basket, whereas analyzing poverty means considering its symptoms and features and whether it is the same in Poland, Ethiopia, and France. I have not either met with the term "low social minimum" in Western literature. [-----] Decree of 11 July 1981 on the Control of Publications and Entertainment, Points 3 and 4, Article 2 (OZ.U., Item 99, No 20; revised 1981, OZ.U., Item 204, No 44.) [i.e., passage censored] It also is correct that from time to time the method of determining the poverty line on the basis of the basket has been revived, because it appears to be extremely simple and obvious.

Prevailing in the literature on poverty is the view that poverty is the state of "exclusion from the society." In view of this, the "subculture of poverty" is often mentioned, and it is pointed out that the poor are not simply rich people who lack money. Great emphasis is placed on the different mode of life of the poor: their different way of spending money, their different way of earning money (odd jobs, and hence highly irregular incomes), their specific forms of spending leisure time, and many other aspects. It is pointed out that the state of exclusion from society cannot be directly identified with a low-income level.

Another view of poverty is that it is a lasting rather than temporary low-income situation. Adherents of this view believe that, while a large part of the society may temporarily experience low incomes owing to particular life situations (illness, unemployment), there is another part which lives in a lasting poverty, without chances to improve their material condition, and that such a part may turn into the subculture of poverty.

At times (but rarely) also postulated is the view that poverty is tantamount to low incomes. But what is a low income? A low income is an income that is to a certain extent below the average in a given country. As for the extent in

which it is lower, that is a question of convention. Given such an approach, various levels of poverty may be determined.

[-----] Decree of 31 July 1981 on the Control of Publications and Entertainment, Point 2, Article 2 (DZ.U., Item 99, No 20; revised 1983, DZ.U., Item 204, No 44.)) [I.e., passage censored]

FOOTNOTES

1. "The Social Minimum. A Draft," POLITYKA SPOLECZNA, No 2 (Supplement), 1981.
2. S. Akolinski, "A Tentative Determination of the Minimum Cost of Living," PRZEGLAD ZAGADNIEN SOCJALNYCH, No 2, 1957.
3. A. Tymowski, "Minimum socjalne. Metodyka i proba okreslenia" [The Social Minimum: Methodology and Tentative Determination], PWN Press, Warsaw, 1973.
4. L. Deniszczuk, "A Model of Socially Indispensable Consumption," Institute of Labor and Social Services, STUDIA I MATERIAŁY, No 10 (66), 1977, Warsaw.
5. "Living Conditions of the Population in 1984," series STUDIA I PRACE, No 10, Main Office of Statistics, Warsaw, 1985, p 76.
6. The problem of discrepancy between incomes and expenditures and the findings of empirical studies concerning Poland were presented by the author in the article, "The Sphere of Poverty as Seen Through the Prism of Incomes," POLITYKA SPOLECZNA, No 4, 1985.
7. A. Tymowski, "The Social Minimum: Methodological Reflections," STUDIA SOCJOLOGICZNE, No 2, 1971.
8. M. Pohorille, "Once More About the Social Minimum," NOWE DROGI, No 1/2, 1981.
9. Here special mention is merited by the Conference on Domains of Scarcity organized by the Social Policy Commission of the Main Board of the Polish Economics Society and Gdansk University and held in 1984 in Sopot. A lengthy report on that conference was published in POLITYKA SPOLECZNA, No 7, 1985.

1386

CS0:2600/551

UNVEILING OF 'SECOND STAGE' REFORM SPARKS DISCUSSION

Warsaw RZECZPOSPOLITA (REFORMA GOSPODARCZA) supplement No 101 pp 1-2,4 in Polish 9 Apr 87

[Unofficial text of a report by Krzysztof Bien: "Discussion of Assumptions of the Second Stage of the Reform: Plenary Session of the Commission for the Economic Reform"]

[Text] On 25 March 1987 was held at the office of the Council of Ministers the year's first session of the Commission for the Economic Reform. Hours-long discussion arose following the presentation of a working report titled "The Second Stage of the Economic Reform: Objectives, Directions, Solutions," prepared by a team of members of the Secretariat and chairmen of taskforces of the Commission for the Economic Reform, Commission members, and persons invited to collaborate from among Sejm deputies, PRON [Patriotic Movement for National Rebirth] representatives, and eminent scientists. This session of the Commission, in which not only its regular members but also Sejm deputies and representatives of the PRON, worker self-governments, and the trade unions, took part, was attended by First Central Committee Secretary and Chairman of the Council of State Wojciech Jaruzelski. The deliberations were chaired by Chairman of the Council of Ministers Zbigniew Messner.

Prime Minister Z. Messner opened the meeting on declaring, "The meeting today is of fundamental importance. As known, there has been months-long public discussion of proposed solutions for the second stage of the economic reform. An impetus for this discussion, and for practical measures to accelerate the streamlining of our economy, was and remains the resolutions of the 10th PZPR Congress. For the decisions of that Congress are unequivocal: the economic reform is an indispensable prerequisite and the means of improving the efficiency and effectiveness of management and, as a consequence, raising the living standards."

"The society expects pronounced progress," the Prime Minister continued, "and more tangible economic results. Hence, the purpose of our meeting today is to determine on their merit the solutions promoting this progress and these results, solutions which, this being particularly essential, would win social acceptance." Concluding, the Chairman of the Council of Ministers stressed, "I

think that today's discussion will not merely reduce to reviewing the material presented for discussion but will also yield many proposals and recommendations which should assist in revising and refining it."

The first to take the floor was Wojciech Jaruzelski. The complete text of his address was published in RZECZPOSPOLITA, No 72, of 26 March 1987.

He was followed by Secretary of the Commission for the Economic Reform Franciszek Kubiczek, who said, "The draft material on the second stage of the reform presented at this session was," he emphasized, "prepared by a working team whose membership included not only the Secretariat of the Commission for the Economic Reform but also Sejm deputies, PRON representatives, and eminent scientists, whose collaboration had been invited. This collaboration occurred in the form of their active participation in several working meetings and preparation of personal comments, suggestions, and drafts of discrete chapters. The presented material reflects a consensus of the views presented. Some of the material, especially the Appendix, has been individually authored to a pre-minent extent. My personal role was modest, being an organizing rather than an auctorial one.

"The material presented today is of a working nature. For we are aware that part of the proposals it contains is not quite mature, conceptually as well. This is reflected in the presentation of alternative proposals of certain solutions at many places. This concerned, on the one hand, pointing to different possibilities for action and, on the other, the unusually controversial nature of some proposals on which a consensus could not always be reached. Some of these alternatives or variants are besides more in the nature of abstractions than finished proposals, while others pertain to choices that will have to be made only several years hence.

"Inspiring the team's work were," the Secretary of the Commission for the Reform continued, "the 'Directions of the Economic Reform,' the resolutions of the 10th PZPR Congress, the Resolution of the Sejm on the 1986-1990 National Socioeconomic Plan, and the 'Report on the Course and Results of Application of the Economic Reform.' The second stage of the economic reform should, on the one hand, radically accelerate the measures to adjust the operation of the economy to the mechanisms adopted in the reform and, on the other, promote on their merit the solutions which had been merely mentioned or even omitted during the first stage."

Minister F. Kubiczek continued, "The team acknowledged that the second stage requires undertaking five groups of measures of varying degree of urgency. The primary issue which must be resolved before practically any reform can be accomplished is restoring the economic equilibrium -- on the consumer, investment, and supply markets. This requires measures as regards both the market supply and prices and incomes. The team's proposal is intended to stabilize prices at the equilibrium level, regardless of whether they are official or contractual prices. Hence the proposal to completely abandon controlled prices and curtail the scope of application of official prices.

"The second group of measures concerns introducing realistic parameters as a prerequisite for correct cost-effective accounting and for the proper

operation of market mechanisms. Here the subsidy issue emerges: under the NSPG [National Socioeconomic Plan] subsidies by the state should be reduced by 50 or even 75 percent. A related issue is that of re-pricing fixed capital and introducing realistic rates of currency exchange, taxation, and interest on loans.

"The third group of measures concerns providing the conditions for -- to put it this way -- a free flow of material and financial resources among economic organizations.

"The fourth group of the proposed measures relates to the work of the commission under Secretary Wozniak, for it concerns providing the institutional and legal conditions for the development of socialist enterprises. The presented material contains proposals for creating flexible organizational structures governed by laws of economics and eventually on flow of resources among enterprises. The enterprises themselves should be interested in organizing precisely this kind of mutual cooperation.

"This group also contains problems relating to the role of managerial personnel, worker self-government, the incentive system, and working conditions.

"Lastly, the fifth group of measures concerns streamlining the mechanisms of self-financing and a more consistent adherence to these mechanisms. This concerns hardening the approach of government agencies so that they would show less "solicitude" for enterprises and be more exacting in promoting efficiency.

"When the proposed solutions are viewed," Minister F. Kubiczek further stated, "in terms of 'quid pro quo,' it should be emphasized that their advantages will of a certainty include the material and moral satisfaction yielded by productive work, higher earnings for better work, replacement of the seller's market by the buyer's market, a decline to perhaps even as little as 5-6 percent in the inflation rate, and a rise in living standards.

"At what price? The price would be rapid price movements within a relatively short period of time, shifts in the proportions of real incomes among population groups, a broader span of differences in income levels among enterprises, and some minimal decrease in the threshold of economic or social security."

This was followed by discussion. Below is an unauthorized record of principal comments made during the discussion.

[Kazimierz Ryc] Restoring the economy's equilibrium is the key. We are yet to discuss three roads toward achieving this goal: the short-term operation, decisions taken successively over several years, and lastly the road of slow longterm changes. There are many arguments in favor of each alternative, and they are spelled out in the material. But arguments are not the point. Before one or another of these alternatives is supported, and not only in the sense of its social acceptability at that, it has to be known which one is feasible

and most realistic and promising. But knowing this requires prior model calculations.

The Secretariat of the Commission for the Economic Reform is rather, as ensues from its report, in favor of the more radical solution, the one implemented within a relatively brief period of time. This solution is likely, provided however that we shall be capable of strengthening the efforts to promote restoring the economic equilibrium at the expense of curtailing demand on the part of households, enterprises, the state budget, and organizations financed from that budget.

In practice, the question is whether it can be expected that, in order to accelerate the reform, the society would be ready to accept some decline in its real incomes? And whether, also in order to accelerate the reform, enterprises would be willing to curtail their expenditures? These questions are of a political nature -- they concern the intensity of our will to accelerate the reforming process. This was mentioned with respect to the budget by Comrade Wojciech Jaruzelski. Of a certainty, similar measures also are possible with respect to other domains.

But we must also consider the other alternative solutions. Computerized calculations point to the existence of a strong and direct relationship between cost and price movements and the dynamics of the wage fund. In this case, the same results, namely an economic equilibrium, are produced by the solutions based on a twice faster growth rate of prices as by the solutions based on a half as rapid -- less than 10 percent -- growth rate of prices.

This points to the realistic existence of an alternative that would not aggravate the economic situation. However, in order to restore the economic equilibrium and reduce subsidies, this alternative would require another kind of consensus. In other words, if the real incomes of households and enterprises are to be preserved, there must be a consensus on resolute measures to block the effects of increases in the prices of raw materials and other producer goods due to the elimination of subsidies for the prices of finished products. This would consequently mean maintaining price ceilings, preserving the instrument for reducing the effect of increases in the prices of raw and other materials as well as in wages on the prices of finished products, and lastly maintaining wage ceilings as well as reducing the wage-increase ceilings for the years ahead.

Can resorting to such restrictions be reconciled with a radical acceleration of the reform? I believe yes. We should consistently follow the path of increasing the autonomy, self-management, and self-financing of enterprises, but we also should restrict their freedom of maneuver, their tendencies to burden others with unjustified increases in their own production cost.

To sum up, we have to choose between a consensus based on reducing the real income levels and one based on maintaining that level upon assuming that the economic equilibrium will be restored by growth in the gross national product. I think that the solution involving several successive steps can produce results similar to that of a radical short-term operation.

[Jerzy Albrecht] When the decision was taken to define more precisely the nature of the second stage of the economic reform, I had believed that this concerned not just yet another attempt to outline the proper picture of the economic reform at a stage in which an economic equilibrium already exists but the approach to and ways of streamlining enterprise management.

This concerned in particular answering the question of where the main battle for the economic equilibrium is to be waged. Should it be waged where national income is being generated, that is, at enterprises, by streamlining the economy, establishing a proper relationship between wages and productivity, eliminating waste, and halting that growth in production costs which we are observing nowadays? Or should it be waged chiefly in the marketplace, that is, where national income is divided, by means of steady price increases?

For several years now we have been pursuing the policy of restoring the equilibrium by means of steady price increases. I am deeply convinced that this approach is no longer tenable. I do not, of course, preclude the necessity of price corrections, but I believe that the principal struggle, this being how I conceive the second stage of the reform, should consist in taking resolute measures to tighten economic sanctions against enterprises, in relation to production. I would explore a solution chiefly in the direction of disciplining wages and linking them realistically to labor productivity.

As proposed in the report, emphasizing price increases as the principal means of achieving an economic equilibrium is unacceptable not only because it is not going to meet with acceptance by the society. It is an invalid approach not only because it is being questioned by the trade unions but also, and primarily, because it is no guarantee of the equilibrium. I know of no such period and no such method in history, and I cannot conceive of a government that can succeed in halting tendencies toward wage increases in the presence of steadily rising prices. Hence I am more inclined toward the alternative presented by Professor Ryc, that of pursuing the same goal by forcing enterprises to reduce their production cost.

[Roman Glinski] There are two instrument of progress: the [managerial] cadres and worker self-government, and the state authorities should devote the same attention and concern to both these "links in the chain." The more so considering that it is possible and necessary to attain harmony in an enterprise, so that the activities of both self-government and the management would be much more energetic and efficient. This is in the interest of the society.

We all here have already become accustomed to the thesis that wages should be linked to the economic performance of enterprises. But this is not a solution commonly adopted throughout the world, for it stresses too much the benefits of the prices of an enterprise's products to its own workforce. I think that we must find some other solution, perhaps when the valuation of labor is performed.

[Jan Mujzel] My attitude to the report as a whole is positive. I think that it is the outcome of a considerable and valuable effort of the Secretariat and the team which had drafted it. I also think that it reflects quite well the

state of economic and social thought in our country, in the socialist countries.

But quite a number of theses in this report leaves me either worried or dissatisfied. There is, above all, the absence of clearly outlined main directions of institutional changes in the economy, the absence of an overall philosophy as it were. The second stage of the reform needs, in my opinion, three basic directions of this kind that I would like to become the organizing theses of this entire report. First, enhancing the role and position of the enterprise and of the economic mechanisms linked to its operation. In the proposed solutions this direction is quite clearly outlined and specified.

The second main direction should be that of "marketizing" the economy. If the position of the enterprises is to be enhanced, the role of the market and of all the attendant phenomena, processes, and regulations must be enhanced too. The report devotes much less attention to this point.

And lastly the third main direction should be that of democratizing the economic life and economic mechanisms. This is a great social problem in the presented report. Without this direction, the report forfeits its social acceptability and becomes a technocratic conception.

Another fundamental problem is feasibility, the principles of application. In this context, the report's language is too cautious.

I have several specific questions regarding prices. I personally am in favor of the second alternative for restoring the economy's equilibrium. I believe that it is the most realistic one. But model calculations are needed. In this connection, I am worried by the equal treatment of the problems of the equilibrium and subsidies. Of course, both factors constitute the defects of our present economic system. But an equal treatment of both these issues greatly impedes making a fundamental step in this matter, that is, achieving the equilibrium. For only then can further progress of the reform be unblocked.

Hence also I believe that during this initial and most difficult period the priorities of price policy should be defined more selectively. In my opinion, it is an absolute priority to restore the equilibrium on successive partial markets.

The report's chapter on the funds of state enterprises is interesting. But I doubt whether the idea of separating these funds into the founding fund and the plant fund is consonant with the principle of inviolability of the state-owned capital of the enterprise. Should that capital be exclusively confined to the capital initially entrusted to the enterprise? Or should it be the capital accumulated by that enterprise? This remains a question which it is dangerous to ignore, in my opinion.

Now as for the proposed deductions and liabilities. I wish that much greater stress would be placed on their normativeness. The report does not mention the problems of standardizing the system of deductions and liabilities for all sectors of the economy; although such a thesis is contained in the 1981

"Directions of the Economic Reform," we have not so far implemented it. Yet this should be done if we want to safeguard the permanence of the multisector system which we want to refine during the second stage of the economic reform.

I like the chapter on the bank system, but I feel that it lacks an explicit assurance that the implementation of the credit policy will be accompanied by a definite abandonment of the material preferences of the centralized plan in favor of a consistent adherence to the criterion of economic efficiency. The report also lacks explicit new, revised principles for regulating the money supply and circulation of money. The evolution of the interest rates has not been defined either, yet this is a basic element of the reformed system of economic parameters.

Now about wages. Two things I do not like. First, there is the tendency to expand administrative intervention into the individual wages paid by enterprises. Second, the report takes no position on the system for regulating the influx of funds with which to pay wages at enterprises, yet this is the Achilles's heel of the wage system. The present solutions weakens incentives and is ineffective, does not restrict wage rises.

Now about organizational structures. I do not like the report's attitude toward associations and groups [of enterprises]. I personally would advocate a totally different approach to the matter, namely, abandoning these elements of the organizational structure, for both substantive and tactical reasons. I believe that the forms of cooperation among enterprises established in the previous course of the reform are, when treated boldly, quite sufficient to attain the various concentration goals mentioned so much in the report.

Lastly, there is the issue of social security. Here I perceive the absence of many proposals for assuring the social protection needed by a country whose economy is becoming "marketized." The economic mechanisms to be created by the second stage of the reform are also to be more exacting toward individuals and entire social groups. It is thus important to show that the state, exercising its duties as the mentor of the society, clearly intends to protect all those requiring such protection owing to the "marketization" of the economy.

WLADYSLAW BAKA: Let me begin with a brief report on the views of foreign partners on our reform. It is good to know outside opinion, such as that of the World Bank. On the one hand, this concerns a different look at our Polish affairs and, on the other, we are not indifferent to the views of our partners and to the question of whether they perceive the measures we are taking as a way of regaining our credit credibility.

To wit, according to an assessment by World Bank experts, the principles and operating model of the economy outlined in the 1981 "Directions of the Reform" drafted by our Commission constitute the most radical attempt at institutional restructuring with the object of energizing economic mechanisms to be made in any socialist country. They find that the official draft of the reform is a comprehensive and coherent construct of a decentralized economic mechanism with moderate intervention from the top based on indirect instruments that assure an effective influence on the state's economy but at the same time

also a sufficient independence at the bottom so far as efficiency of performance is concerned.

Evaluating the implementation and application of this model, the World Bank experts found that the implementation of the original draft of the Polish reform of 1981 has not been insubstantial but still it is decidedly inadequate in relation to economic needs, and in relation to possibilities. They claim that actual implementation deviates from its legally possible extent on many sectors, and that efforts should be focused on the practical application of what has been defined as the operating mechanism.

The experts are very critical about the practice of allocating resources and priorities. According to these World Bank experts, the principal flaws are centered in our price system. They believe that because of these prices we can neither implement the conservation program nor restructure the economy nor achieve higher efficiency with the object of ultimately improving living conditions in our country.

They believe that our system for protecting the weakest social groups is ineffective. In their opinion, we chose the worst possible alternative by relying on subsidies which benefit equally both those needing such assistance and those who do not need it at all.

They esteem highly our solutions as regards export promotion, on condition however that the corresponding deductions [allocations of foreign exchange to exporting enterprises] actually increase and do not just remain on paper.

They are very critical about the current shape of redistributive functions of the state budget, the excessive scope of budget interventions. They view this as an essential obstacle to progress in regaining and attaining efficient management. They also view critically the wage fund system.

They generally approve of the development assumptions for the bank credit system, but they point out that in this respect practice diverges from theory.

A fundamental issue raised by every expert is that of the interest-rate policy. They believe that the Polish policy in this respect is negative. Our basic interest rate [on loans] is 12 percent, whereas the growth rate of inflation reaches 17-18 percent. As a result, borrowers automatically receive a subsidy hovering at 5 percent each year. Whom are we thus helping? The borrower. At whose expense are we doing it? At the expense of the regular savers, meaning both individuals and enterprises. What is the consequence? Many borrowers and few depositors, few savers.

Let me now present my own observations, my interpretation, generally speaking, of the second stage of the reform. I think that it would be highly useful for this purpose to specify three layers, as it were. The first layer is the assumptions and principles of the reform. The second is legislation, legal provisions. The third is practice. And if I were to opine tersely on the revisions that should be made within each of these layers, on taking 100 as the base index, I would say that the first layer should be changed 10-15 percent in the direction of simplification and revision, while the layer of

practice, of implementation, should be changed 80-85 percent. I believe that this approach corresponds to the expectations.

I am completely in accord with Professor Mujzel when he says that we should establish main directions of action. To me there is not the least doubt that the paramount direction of action should be to promote entrepreneurial spirit, which requires discarding many encrusted habits, many regulations that restrict initiative and activism. Such practices must be discontinued.

The second fundamental issue is streamlining the economic mechanisms, "marketizing" our actions. This simply concerns a return to the premises of the reform. Of course, and in this respect I fully share the opinion of Comrade Kubiczek, this hinges on bringing the market, the economic parameters, into order, and above all on causing money to count again as an economic category. I believe that we have no chance to bring about a radical turning point in the performance of our economy until and unless we fundamentally change our approach to money. Nowadays this approach is nonchalant. I have not yet seen any plan containing the proviso that the function and role of money should be strengthened. And is there anything that counts more in the life of the society than money? Allow me to offer the reminder that the greatest of Poles, Nicolaus Copernicus, reckoned precisely the debasing of currency among such plagues as war, pest, cholera, flood, and fire. Properly speaking, nothing has changed in this respect.

For this reason also I wish to inform the Commission that, in accordance with the statement contained in the speech of Comrade General Jaruzelski to the 10th PZPR Congress, the National Bank of Poland is drafting a program for strengthening the currency. I believe that this program can and should be treated as a component element of the measures being taken during the second stage of the economic reform.

The third direction of action is strengthening the democratization. The report does not mention or outline the prospects for the development of self-government, although this institution has passed its test in our conditions and now conditions should be created to consolidate it further in the operating system of our society.

Finally, the last direction of action should be that of improving the quality of guidance of the national economy. An enterprise should not, for example, be required to commit itself to longterm projects or to streamline its performance if the [institutional] solutions lack stability.

As for the remaining issues, I do not generally share the view that the reform will entail a decline in the threshold of social tranquility or social security. Such a thesis should be resolutely rejected, because it is precisely the absence of a reform that would imperil social tranquility.

The oft-repeated thesis that the reform requires raising prices also has yet to be verified. This is an absolute fallacy. Unless we carry out the reform, the risk is that the needed changes in prices will not -- such being the objective laws of economics -- produce any positive effects.

Who should watch over the implementation of the reform? The reform must be practiced by the entire government, by all of its elements. It should be within the purview of the Politburo, on the other hand, to perform periodic major reviews of the work done so far to verify whether it proceeds in a direction consonant with the basic idea of the reform. The idea once voiced by Prime Minister Messner, namely, that, before being taken, all decisions on economic policy should be analyzed as to whether they strengthen or weaken the mechanisms of the reform, should be fully materialized.

[Czeslaw Bobrowski] Are we really aware of the current economic situation? The report we are discussing lacks, in my opinion, an adequate analytic basis. It follows the assumptions of the [1981] "Directions." This is not good. My own attitude toward the reform project is unchanged, but following the passage of years it must be stated now that it contains thematic gaps which have not yet been filled. For example, at the time we had naively rested content with the statement that the Planning Commission is to be the planning headquarters. Is that so? It turned out that the Planning commission is partly a headquarters body and partly an operational body.

As for the equilibrium [of the economy], we all in unison sing the song that a domestic equilibrium is a prerequisite for the effectiveness of the reform. Besides, a complete equilibrium cannot be reached in the reform's absence. But the reform cannot be achieved in the presence of a considerable disequilibrium. Hence, achieving the equilibrium must be coupled to measures to promote the reform. So far we have failed to do so.

The slight rise in output that we can expect plus the price rise still is not a sufficient condition for the reform's success. This has to be followed by investment, foreign-trade, and budget measures. I do not mean measures intended to reduce subsidies by this or that extent in the long run. The reduction in subsidies should be a corollary rather than the starting point of price-shaping measures. This certainly cannot be accomplished unless we resort to imports designed to weaken [illegal domestic commerce and strengthen the currency, as exemplified by imports of coffee which yielded more than 1,000 zlotys per [United States] dollar. This is the way toward the equilibrium.

Investment policies, too, can and should promote economic equilibrium. I personally would not shrink, for example, from the cost of the "fasting season" for construction, even for housing construction, for otherwise we shall not emerge from the morass of mismanagement in construction. Resolute measures also should be taken to break up monopoly structures.

Like Professor Baka, I believe that applying the reform is not a mechanical operation. This is an operation that presents dilemmas of choice. There is a need for periodic and improved analyses of the course of the economy to be done by the Politburo and the Government Presidium. There is a need for decent discussion. Gentlemen, spend three days per quarterly period on this purpose, and this would be more worthwhile than chairing meetings or even making field trips.

[Jozef Pajestka] There exists an opportunity and a deep need for a new spirit of the reform to reign. The institutional and personnel systems are becoming

inured to the existing situation and it is difficult to undertake major projects. The address delivered by Comrade Jaruzelski today contains political elements for reviving the spirit of the reform. In this connection, we live in an exceptionally favorable historical period when the developments abroad are consonant with the domestic needs. This has never happened before. Our chief allies are proceeding in the same direction.

I like the aims and directions of the second stage as formulated in the report; they sound reasonable. But all this in principle is addressed to the grassroots: the society must respond better and become accustomed [to the reform or restructuring], and the enterprises must perform better. I think that the main aims and directions should be addressed both to the grassroots and to the government. What will the government do, and how will it proceed, to assure that the reform is a true and effective one?

Here I perceive two directions in particular. First, the government will take organizational and other measures indispensable to an effective application of the reform program. The second direction is the one mentioned by Chairman Jaruzelski. This concerns taking the necessary cost-cutting measures in the [state] budget -- the point is that it is not only the enterprises that should operate in a cost-effective manner but also the central apparatus.

Such cost-effective operation must be rapidly introduced, moreover. The situation with regard to the ROD [Retained Hard Currency Earnings Allowance (for enterprises)] and the PFAZ [Plant Activation Fund] should not repeat itself. Everyone sees that things are bad, but nevertheless we wait with our hands folded. The [central government] apparatus still is not prepared. That is why my view of the kind of headquarters for applying the reform is different from that of the Professors Baka and Bobrowski.

The presented report says nothing about introducing the reform where it is absent. I refer to mining, construction, and internal commerce. Does this mean, e.g., that the mining industry is to be exempt from the requirements of cost-effectiveness, that it can continue to dictate to the state budget and to the state itself whatever ensues from its current economic performance?

We speak of the brigade labor system, but we should take a completely new look at it. There is the new self-government alternative. That is so in the world. In this country the enterprise is fashioned in the image of the state. The state has the Sejm and the government, and similarly the enterprise has the [workers'] council and the management. Yet nowadays there arise under capitalism reforms promoting the participation and creativity of employees and the flexibility of their action as well as reforms in wages and organization. We should ponder this and draft appropriate legal provisions. The brigade system alone is not enough.

[Cezary Jozefiak] I am largely in accord with the comments of Prof Mujzel, Prof Baka, and Prof Bobrowski. The principal problem is that the report lacks an assessment of the accomplishments of the first stage of the reform and does not indicate the related difficulties, both objective and subjective. I consider this absolutely important from the standpoint of the credibility of our intentions. It cannot be glossed over, for example, that from the

standpoint of the institutional reform in the economy the shocking price changes in 1982 had not been utilized and that the subsequent price changes, which also were not insubstantial, have not been utilized either. The attendant opportunities to the reform were simply forfeited.

Neither have the central institutional systems been reformed. This concerns the activities of the ministries and the Planning Commission. Many bureaucratic restrictions on the activities of enterprises and on decisions concerning trade, finance, and personnel and organizational affairs have not been abolished. These restrictions continue to exist and impede initiative.

For about 30 years now the question of a reform has been raised again and again. It is said that we could accomplish something were it not for the price system. A different approach should be adopted. The prices are indeed an obstacle, for they have become a political rather than an economic category. But they cannot be depoliticized without depoliticizing the entire economy, that is, the economic system. Let us thus take a different kind of look at the matter.

[Jozef Popkiewicz] This report is highly valuable. I am gratified to find that the number of enthusiastic supporters of the market equilibrium and of its rapid recovery is growing at such a pace. For all the distortions, deformations, inconsistencies, restrictions, and temporary solutions of the economic reform originate from the absence of an economic equilibrium in general and a market equilibrium in particular. The worst price of the market equilibrium is better than the best price of its disequilibrium.

I am gratified to note that the report supports the restoration of their economic function to such categories as depreciation, depreciation rate, interest rate, and land rent.

I believe that opposition to the assumptions and specific proposals for price increases is tantamount to opposition to the assumptions of the reform. In the absence of price movements it will never be possible to attain a market equilibrium. Therefore, opposing specific price proposals will lead nowhere.

It is difficult to specify what should be done to restore the market equilibrium without raising prices or with only minimal price increases. Nothing has convinced me that there is any other feasible alternative to this in the near future. Thus, Comrade Jaruzelski was right in stressing that the Polish people at present faces the need for an unusually important choice — a more difficult present for the sake for an easier future or the application of half-measures with the expectation of half-results.

[Urszula Wojciechowska] I completely agree with Mr Professor Baka, who declared that he had expected a report dealing 80-85 percent with the applications and much less with new concepts and ideas [as published]. I agree with Mr Professor Jozefiak, who declared that this report is actually a conceptual vision of what will happen only after 1990 and largely duplicates the main assumptions of the [1981] "Directions."

I conclude, therefore, that, regardless of the attitude to this new version of the ultimate goal, such a program of action should be formulated, a program that would clarify how the question of the equilibrium, which in my opinion has top priority, is to be solved on the supply-side market. It is not possible, for example, to adopt a compromise consisting in canceling the coal-price increase. The prices of coal and energy are of basic importance to the equilibrium.

Also of cardinal importance is the issue of decoding the beautiful-sounding demand-side slogan. It should be clearly stated that offsetting the increase in supply by means of additional huge wage raises will not help achieving the equilibrium in any way. If I pay three times as much for additional production, what is its effect on the equilibrium? None. There certainly exist other ways, such as those high-multiplier imports which produce the same market effect without raising wages. At the Advisory Economic Council (KRG) we tentatively composed such a possibly broad and comprehensive list of balancing measures. We shall discuss that list at tomorrow's session of the KRG.

The presented report divides the economy into three segments, each to be guided differently by the central authorities. The first is termed the infrastructure, the second the highly monopolistic segment, and the third is suitable for complete self-regulation by the market.

I believe that such a segmentation corresponds to our experience. We cannot close our eyes to it. As for what should be included in each segment, that is another matter. For example, should the metals industry be included in the first segment? Another highly important question is: how should the first and second segments, in which we cannot count on complete market self-regulation, be administered?

And lastly there is the issue of the vision of the post-1990 market. I wonder why do all those espousing market self-regulation believe so ardently that in Poland we will have a market in the West German, Swiss, or Swedish style, and whether it might not happen that we would have a market in the Turkish style? Whence this faith that our market will resemble that of the highly developed, richest, and most efficient of the world's economies? After all, our market is going to correspond to our per capita national income and the efficiency of our society.

[Sylwester Zawadzki] The 10th Congress and the Third Plenum, and subsequently the Politburo and, lastly, the resolution adopted by the Sejm in mid-December 1986 pointed out that the legislated concept of worker self-government endowed with powers to co-govern the enterprise has passed its test.

This concerns besides not only political but also economic considerations. There does not exist any argument demonstrating that self-government is in any way an obstacle to the development of enterprises. All attempts to abandon self-government in the history of People's Poland so far have ended in failure. It is important to note in this connection the comment by Prof Mujzel in the appendix to the report that the question of which is more efficient, a socialized enterprise operating more democratically or one operating more technocratically, remains an open question both in theory and in the

experience so far. And since that is so, why are we choosing this direction of action?

I think that we should devote more attention to the brigade labor system. This is no longer an issue limited to a few plants. The initial experience points to major possibilities for increasing labor productivity at a level that simply is not commensurate with plan assumptions. Increases in labor productivity of the order of 30-50 percent annually are possible. I would not agree though with the comment by Professor Pajestka that the brigade labor system is to be an alternative to self-government. I consider it rather as a way of strengthening the self-government system. Owing to this system, an element within which the worker can indeed feel himself to be a co-proprietor is arising at the lowest organizational level of the enterprise. In the brigade, the worker has a voice in the division of labor, is enabled to exchange labor with other members of the collective, and, lastly, is enabled to voice his opinion on wage-oriented issues. However, the brigade labor system as an organizational element cannot replace the form of plant-wide representation.

[Leopold Gluck] I tried to read this report as the average newspaper reader would read it. Is it capable, for example, of convincing broad strata of the society about the second stage of the reform? The report points out how indispensable social acceptance is.

The overall design of the report implies, but rarely states plainly, that a price-triggered onset of the market equilibrium would result in surprising efficiency-promoting mechanisms and a rapid onset of reform processes. In my opinion, it is impermissible to suggest to the society that this can be a rapid process at all. The attainment of the economic equilibrium is a necessary condition but it is not a sufficient one for mobilizing these mechanisms, just as equilibrium prices are a necessary condition but not a sufficient one for achieving an economic equilibrium. That is why the policy on wages, incomes, and prices should be linked to a complex whole of other measures.

[Ludwik Bar] It can be expected that the guidelines for the subsequent years of application of the reform will be based on the achievements of its first few years. However, the report does not indicate which solutions are considered proved and require strengthening and elaboration and which of the assumptions of the [1981] "Directions of the Reform" have proved unsuitable. It does not specify either what new concepts should characterize the so-called second stage. Some parts of the report even produce the impression that we are resuming the initial deliberations of some years ago on the nature of the reform.

Concerning self-government, let me offer the reminder that now the 17th of the "Directions of the Reform" states: "Workforces in the state-owned sector will be endowed with the powers of actual co-proprietors of national property." In this connection, the opinion has been voiced that in countries with a well-performing economy there is no such self-government. That is true, but these countries are not building socialism, and they have an unemployment problem which makes it easier for enterprise managers there to tighten discipline and

enforce an increase in labor productivity on other principles. If we are to adhere to translating into reality socialism and the participation of the masses in governance, we cannot refer to the absence of self-government in other countries.

[Antoni Rajkiewicz] The presented report displays many shortcomings. It does not consider, for example, such issues as agriculture, construction, or trade, or the non-socialized sector for whose role a growing allowance has to be made. However, I find in this report many proposals to which I respond sympathetically, because they meet actual needs.

Highly essential economic issues are raised. In this connection, universalism of solutions is avoided; only that which functions efficiently is to be retained. For uniformity kills initiative and does not engender forces promoting the further process of the reform.

The issue of choosing among solutions should be, in my opinion, be helped by the parallel activities of Comrade Wozniak's Commission. While at a session of that Commission, however, I voiced the apprehension that a two-track approach would be unproductive. The time is growing ripe for creating a single powerful economic decisionmaking center. The Government Presidium deals with the Church, children, summer camps, and economic issues. At present there exist five decisionmaking centers. This matter must be considered, because outsiders who observe what is happening currently in the domain of strategic and institutional decisions may conclude that something is rotten in the state of Denmark.

Real needs must be anticipated. For example, the enterprises themselves should be checked to determine in which of the proposed segments they should be classified. This anticipation of needs also concerns establishing innovative organizations. Since this is so important, why should we delay? After all, it would suffice even now for the Council of Ministers to issue an ordinance and verify whether practice confirms the assumptions. This also concerns forms of ownership. We experiment in order to identify the most effective solutions. In this connection, I support the proposals concerning communal ownership, the formation of economic chambers, and the issuance of bonds. On the other hand, I would not touch the self-government issue.

[Marcin Swiecicki] This is an objective, specific, extensive, and serious report which for better or worse does exist. It may become the starting point for substantive discussion of specifics.

We face various obstacles which should be attacked frontally. One is, for example, the situation in agriculture. Seemingly everything is in order, and food is available. But let us observe that all supplies for agriculture are being rationed. An economist, and the more so a politician, is bound to ask himself whether food might not be produced at a lower cost, whether the state's outlays on agriculture might not be spent more efficiently.

Especially so. The present regulations result in a vastly inefficient agriculture -- something that quite often we do not realize. Procurement prices are set at such high levels that no farm would go bankrupt because of

them. A farm may want to expand and buy more land or more farm implements, but it cannot, because all this is in short supply for the reason that these things are being bought by other, less efficient and barely vegetating farms, which will thus subsist for one does not know how long.

There exist domains which even now function normally: orchardry and vegetable growing, in which the socialized sector is a major participant. The related price revisions are not upsetting. It seems to me that meat also qualifies for creating a normal market for it. Were the peril of a drastic price increase arise, the state could after all resort to indexing so as to protect the weakest population groups. This solution is also suggested by the World Bank. It appears worthwhile to follow this advice, considering that the World Bank is highly knowledgeable about reforms conducted in various countries.

[Henryk Kisiel] Despite the shortcomings already identified here, the report as a whole should be regarded as a highly valuable document meriting discussion and meriting being acted upon.

An equilibrium on the consumer goods' market is a reflection of the definition of a good economy. But the overall equilibrium should also be considered, for it is decisive to the efficient performance of the mechanisms of parametric instruments for guiding the economy. I refer here chiefly to the supply equilibrium.

As regards the latter, we are entering upon the period of repayment of [foreign] indebtedness, that is, a rising surplus of exports over imports. This will affect markedly the market and its equilibrium. This also applies to investments: in the last few years several hundred billion zlotys in market investments were dissipated because investment schedules could not be met. In view of this, would not it be worthwhile to consider whether attempts should be made to attain the equilibrium at a lower level of productive forces, and to decide at once and in advance to relinquish using certain workshops together with their crews, machinery, and supplies? For the production cost at some of these workshops is too high, while others suffer shortages of the resources being wasted by the former. This applies not only to the agriculture mentioned by Comrade Swiecicki.

The report proposes changing the tax system. So far this has not been mentioned in today's discussion here. The proposed alternatives are interesting. I personally support the first alternative. However, a nominal reduction in the share of the state budget in the profits of enterprises by eliminating the Foreign Indebtedness Servicing Fund, reducing the depreciation rate, and reducing the income tax rate may as yet be rather dangerous. It appears that we should retain for some time the linear tax system, provided that we make in it certain stable revisions.

Above all, there should be a stable system of tax relief and discounts for exports, technological progress, innovativeness, environmental protection, and fuel and energy conservation. In this connection I support fully the proposal for drafting a new tax system -- a nationwide Value Added Tax, serving to abandon the turnover tax.

As for the tax on personal incomes, I consider this to be an important but unrealistic dream. It is said to be an equitable and uniform tax. Sure, but just try and imagine a flood of 23 million income tax returns being received within a short period of time by the 240 Treasury offices and the several thousand people they employ. Who could be capable of auditing all these returns?

[Tadeusz Wojciechowski] Five people already have raised today the question of the market-supply equilibrium. That equilibrium is the starting point for the entire equilibrium of the economy. This is the most important issue to us. In 1986 market-supply problems and perturbations began to increase drastically. As of 31 December 1986 the inventories of socialized enterprises were more than 22 percent higher than a year previously. Sales in current prices increased by about the same extent during that period, and so did the price index. Hence I infer the simple conclusion that, despite everything, overall inventories have again increased and the targets in many fields of industry were met.

This points to an absolute discrepancy between the theory of the system adopted in the reform principles and the reality. For in practice every part of national income is divided. It does not consist merely of those 50 items formally included on the mandatory allocation list. And such are its consequences. This leads to a growth in the numbers of people acting as middlemen and handling the flow of materials, who share in the distribution at every step but cannot cope with the problems of apparent shortages.

What would I propose in view of this? The price instrument as a means of restoring the equilibrium on the producer goods' market is useless, at least at the present stage. That is because the burden of the higher prices is transferred onto the shoulders of customers. We must pay more attention to demand and try to reduce it by means of restructuring measures. Organizational structures also deserve a look, because they contribute to the formation of spare inventories at various levels and aggravation of an atmosphere of shortages in a large segment of the market. Third, which the report's theses do mention, the scope of central preferences should be curtailed. Fourth, which they also mention, the division into markets should be curtailed wherever possible.

The less we interfere, the better. This concerns for example the building materials' market, perhaps with the exception of structural steel. Let the crafts industries and the state buy things from each other. After some time the situation will resemble that on the computer market where, although Poland produces no computers, ours is the best computer market of any socialist country. There exists a large number of market segments in which — let me say it honestly -- I conclude that it would be best not to interfere.

[Jerzy Osistynski] Can the equilibrium be at all attained by confining attention almost exclusively to price movements? Colleagues Swiecicki and Wojciechowski said no a while ago. It seems to me that raising the ratio of prices to wages by 4 or 5 percent would entail smaller compensation payments [to underprivileged social groups] than high price rises. We continually try

to tailor the cloth with only one scissors blade. But there exist two blades - supply and demand.

It seems to me that the report should clearly specify tasks for improving the efficiency of the state-enterprise sector. This should include loosening the tight corset of regulations restricting size, structure, and development of production. The point is that enterprises would not have to coproduce, that they should engage in mutual trade and sales. The demagogic equalization of incomes also should be abandoned. Where the performance is good, wages should be good. This applies to both the profits of the energetic enterprises and the wages of their workforces. This applies to all sectors of the economy.

Without democratization of economic processes the reform is imperiled. Without democratization, in my opinion, the investment front cannot be mastered, in view of the differing interest groups.

[Aleksander Legatowicz] Colonel Kwiatkowski [Head of the Center for Public Opinion Surveys] declared in POLITYKA that only 10 percent of poll respondents believe in the reform's success. This raises the question: why? It seems to me that the report lacks a good verification analysis of the measures taken so far in this respect, an analysis of the failures so far in the domain of equilibrium prices.

The question arises: what next? Both the report and today's discussion do not answer the question of the state to which we want to lead the economy by reforming it, from the model point of view. Were we know the answer, we could tell whether particular measures bring or do not bring us closer to the desirable optimum state. As I listen to what everyone here has to say, in principle I agree with them all, but at the same time I get so confused that I no longer know what attitude to adopt toward all these matters. After all, no one here has said anything absurd, but the end-result seems to point to a lack of consistency. It seems to me that this is a shortcoming of not only the report itself but also of, properly speaking, the entire approach and our discussion.

[Stefan Jedrychowski] Three alternatives for action in the sphere of prices and equilibrium were presented. The alternative of immediate changes within one year is absolutely unrealistic. The second alternative that of changes spaced over 2-3 years, also is unrealistic in my opinion. Such major operations cannot be accomplished within 2 or 3 years. The third alternative is of a too longterm nature and seems to lack any short-term prospects. Hence something intermediate between the second and third alternative should be chosen, a kind of alternative No 2.5 covering changes over 5 years.

The report refers to the autonomy of cooperatives but does not mention their self-government. And yet a shortcoming of the present situation in the cooperatives is the bureaucratization and underestimation of their self-government. The weakest sector of self-governments is cooperative self-government.

[Stanislaw Rostworowski] The presented report again raises the question which we had faced when discussing the decree on enterprises, that is, the problem

of ownership. This is of a rather crucial importance, for the question of the owner, i.e., of the state, at enterprises is obscure.

The report offers a concept of the self-government enterprise, a concept of the public utility enterprise, and lastly a model of the managerial enterprise. Our legislation so far prefers the model of the self-government enterprise. We have created a situation in which the relation of ownership between the self-government and the fixed capital of the enterprise remains undefined. However, self-government has been endowed with certain powers. And what does self-government demand? Consumption, that is, higher wages. It is one of the motive powers of inflation in our country.

The opposite of this should be the managerial model, which would be more oriented toward accumulation. I am in favor of the managerial model, but I would like to see in it the presence of the owner, not in the form of the managing director but in the form of the supervising council for our economy. The principal question is the reproduction of capital. What matters is the existence of capital that would make it possible to unlock new vistas of economic activity. The funds should be found in the [state] budget. To this end other items in the budget can be trimmed by cutting the spending on, say, awards and inspections. Were new fields of production to appear, were the capital to be available, a restructuring of the labor market would occur automatically. People who could not make a living elsewhere would work in companies at which output and earnings increase. This function will not be accomplished by job certification, which is an administrative rather than an economic measure.

[Mieczyslaw Lesz] The presented report is, as has already been pointed out, a lofty vision of the future. But as for proposals concerning what should be done even now, it contains few of them. The principal issue is prices. I agree with Minister Kubiczek's contention that there can be no second stage of the reform without the equilibrium, and that there can be no equilibrium without a price reform. The only question is which price changes are urgent and which can yet be postponed owing to various considerations. Raising the coal price would, above all, prompt plants and factories to become genuinely interested in coal-conserving measures.

Next, the comments made in this discussion were referred to in the address by the Chairman of the Planning Commission, Deputy Minister Manfred Gorywoda. He declared, "The working team has completed its task. The report does not offer any new ideas; rather, it elaborates some of the [1981] 'Directions' and restates in a new manner many elements. It deepens the knowledge of what should be understood by the concept of the second stage of the economic reform, of what must be done to initiate broader discussion of ways of translating it into reality.

"What matters most," the Deputy Prime Minister continued, "is the 'path of approach.' I am deeply convinced that the wage-price mechanism is its most important element. It is not a strong suit. We are not alone in asking questions of this kind as to how wages are to be determined in the presence of

a markedly imperfect market. A solution of this problem is a necessary condition, but of course -- and here I share the view of Prof Bobrowski -- it is not a sufficient condition for the equilibrium. An added condition is, for example, the presence of competition. But it is difficult to count on it at the moment; the related situation is highly varied anyhow. Hence the proposals for segmenting the economy offered during today's discussion."

M. Gorywoda continued, "In connection with this all, three questions arise: What is possible at all? How is it to be attained? How soon? These questions must be answered, as we live at a rather critical moment of reforming the economy. After all, we are aware of all the social repercussions of the initiation of a rapid balancing of the economy and widespread economic duress. At the same time, though, we must realize that slow progress in this domain harbors the risk of a continued low effectiveness of mechanisms of the reform and deepening of social discontent. Protracting the duration of the reform hurts the reform."

Taking the floor toward the end of the session, Prime Minister Z. Messner stressed that the presence of the First PZPR Central Committee Secretary at this session of the Commission points to the importance which the highest party and political authorities attach to the economic reform, to the need to apply it consistently and attain the postulated effects. The discussion was lively and rich, but also controversial. Conclusions for further work should be inferred from all the comments voiced, including even those that are mutually exclusive.

The Prime Minister thanked all those who had contributed to preparing the report discussed, even though, he stated, it was repeatedly viewed critically during the discussion. What matters most, however, is the very fact that this report was prepared, because, ever since the 10th Congress, the second stage of the reform has been differently interpreted in different circles. A proper implementation of the reform requires its reasonably uniform interpretation. Seen from this standpoint, the report accomplishes its purpose, which does not mean that it needs no revisions or amendments. Z. Messner proposed that, once these revisions and amendments are made, the report be published in draft form and subjected to broad public discussion.

The Prime Minister further stated that it was repeatedly emphasized during the discussion that achieving the economic equilibrium is a prerequisite for the reform's success. However, it is an oversimplification to claim that we are trying to attain that equilibrium by means of price movements alone. Our society is unusually sensitive to price issues and hence this problem acquires a political nature, whereas we must reduce it to its normal -- economic -- dimension, that is, to what it should be. The main path toward the equilibrium is the increase in supply by expanding production and imports. However, increasing purchases abroad requires improving the balance of payments.

"It may be," Z. Messner continued, "that certain of the proposals in this report are of a too passive nature and need to be revised in order to

accelerate the reform. This concerns, e.g., a consistent restructuring of the 'centrum' [the central government] which, in the opinion of some, is at present an obstacle to many undertakings. We are ready for a reform of the central structures. Such a reform has to be coordinated with the measures being taken by the Party-Government Commission for Reviewing and Modernizing Organizational Structures in the Economy and State."

In conclusion, the Prime Minister emphasized the role of cadres at all levels in the consistent implementation of the reform. At present they are not sufficiently prepared for it.

1386
CSO:2600/523

END

END OF

FICHE

DATE FILMED

6 Aug., 1987